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**CTEEP - Companhia de  
Transmissão de Energia  
Elétrica Paulista**

Quarterly Information (ITR) at  
September 30 and June 30, 2007  
and Report of Independent Accountants  
on Limited Reviews

**SUPPL**



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## **Report of Independent Accountants on Limited Reviews**

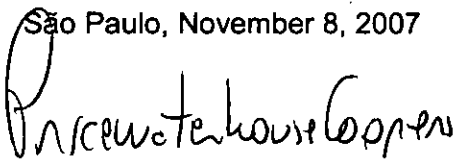
To the Board of Directors and Shareholders  
CTEEP - Companhia de Transmissão de  
Energia Elétrica Paulista

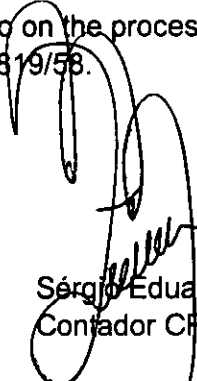
- 1 We have carried out limited reviews of the accounting information included in the Quarterly Information (ITR) of CTEEP - Companhia de Transmissão de Energia Elétrica Paulista for the quarters ended September 30 and June 30, 2007. This information is the responsibility of the Company's management.
- 2 Our reviews were carried out in accordance with specific standards established by the IBRACON - Institute of Independent Auditors of Brazil, in conjunction with the Federal Accounting Council (CFC), and mainly comprised: (a) inquiries of and discussions with management responsible for the accounting, financial and operating areas of the Company with regard to the main criteria adopted for the preparation of the quarterly information and (b) a review of the significant information and of the subsequent events which have, or could have, significant effects on the Company's financial position and operations.
- 3 Based on our limited reviews, we are not aware of any material modifications that should be made to the quarterly information referred to above in order that such information be stated in accordance with the accounting practices adopted in Brazil applicable to the preparation of quarterly information, consistent with the Brazilian Securities Commission (CVM) regulations.
- 4 The statement of cash flows for the nine-month period ended September 30, 2007, contained in Note 27 to the quarterly information, is presented for purposes of additional analysis and is not a required part of the basic quarterly information. This information has been subjected to the auditing procedures described in paragraph 2 and is fairly presented in all material respects in relation to the quarterly information taken as a whole.

CTEEP - Companhia de Transmissão de  
Energia Elétrica Paulista

- 5 As described in Note 24 to the quarterly information, pursuant to the decision of the 49th Labor Court of São Paulo, as from September 2005, Fundação CESP started to process the payroll of the participants in the supplementary pension plan regulated by Law No. 4819/58, through funds transferred by the Company, as carried out up to December 2003. In January 2006, the Attorneys' General Office of the State of São Paulo understood that the responsibility of the State Government is restricted to the limits set forth by the State Constitution in respect of the payment of pension benefits. Since then, the State Government started to disallow a portion of the resources transferred to the Company. Management of the Company, supported by its legal advisors, understands that the payment of the benefits related to the supplementary pension plan is the full responsibility of the State Government. Accordingly, the Company does not record any obligations relating to this plan in its quarterly information.
- 6 The Quarterly Information mentioned in paragraph one also includes comparative accounting information referring to the statement of income for the quarter and nine-month period ended September 30, 2006. The limited reviews of the Quarterly Information and the statement of cash flows for this quarter and nine-month period were conducted by other independent accountants, who issued a report thereon dated October 16, 2006, containing a qualification related to the Company's revenues arising from agreements entered into prior to October 31, 2003, which should have been taxed at a total rate of 3.65% for Social Integration Program (PIS) and Social Contribution on Revenues (COFINS) instead of the 9.25% rate used up to May 31, 2006. Accordingly, the regulatory asset recorded by the Company should be reduced. On the other hand, the Company will have the right to offset the PIS and COFINS overpaid as from February 2004. The report also contained a matter of emphasis paragraph relating to the decision of the 49th Labor Court of São Paulo on the processing of the payroll of the supplementary pension plan regulated by Law No. 4819/58.

São Paulo, November 8, 2007

  
PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5

  
Sérgio Eduardo Zamora  
Contador CRC 1SP168728/O-4

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**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

**Unaudited**

Corporate Legislation  
September 30, 2007

REGISTRATION WITH THE CVM DOES NOT IMPLY ANY ANALYSIS OF THE COMPANY. COMPANY MANAGEMENT IS RESPONSIBLE FOR THE ACCURACY OF THE INFORMATION PROVIDED.

**01.01- IDENTIFICATION**

|   |   |  |
|---|---|--|
| <b>1 - CVM CODE</b><br>01837-6                                | <b>2 - COMPANY NAME</b><br>CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | <b>3 - Federal Corporate Taxpayers' Registration Number - CNPJ</b><br>02.998.611/0001-04 |
| <b>4 - State Registration Number - NIRE</b><br>353.001.705-71 |   |  |

**01.02 - HEAD OFFICE**

|  |                                   |                                      |   |                        |
|--|-----------------------------------|--------------------------------------|---|------------------------|
| <b>1 - ADDRESS</b><br>Rua Casa do Ator, 1155 |                                   |                                      | <b>2 - SUBURB OR DISTRICT</b><br>Vila Olímpia |                        |
| <b>3 - POSTAL CODE</b><br>04546-004          |                                   | <b>4 - MUNICIPALITY</b><br>São Paulo |   | <b>5 - STATE</b><br>SP |
| <b>6 - AREA CODE</b><br>11                   | <b>7 - TELEPHONE</b><br>3138-7560 | <b>8 - TELEPHONE</b><br>3138-7559    | <b>9 - TELEPHONE</b><br>-                     | <b>10 - TELEX</b>      |
| <b>11 - AREA CODE</b><br>11                  | <b>12 - FAX</b><br>3138-7161      | <b>13 - FAX</b><br>-                 | <b>14 - FAX</b><br>-                          |                        |
| <b>15 - E-MAIL</b><br>ri@ctEEP.com.br        |                                   |                                      |   |                        |

**01.03 - INVESTOR RELATIONS OFFICER (Company Mail Address)**

|   |                                   |                                      |   |                        |
|---|-----------------------------------|--------------------------------------|---|------------------------|
| <b>1 - NAME</b><br>Eduardo Feldmann Costa                 |                                   |                                      |   |                        |
| <b>2 - ADDRESS</b><br>Rua Casa do Ator, 1155 - 10o. andar |                                   |                                      | <b>3 - SUBURB OR DISTRICT</b><br>Vila Olímpia |                        |
| <b>4 - POSTAL CODE</b><br>04546-004                       |                                   | <b>5 - MUNICIPALITY</b><br>São Paulo |   | <b>6 - STATE</b><br>SP |
| <b>7 - AREA CODE</b><br>11                                | <b>8 - TELEPHONE</b><br>3138-7560 | <b>9 - TELEPHONE</b><br>3138-7559    | <b>10 - TELEPHONE</b><br>-                    | <b>11 - TELEX</b>      |
| <b>12 - AREA CODE</b><br>11                               | <b>13 - FAX</b><br>3138-7161      | <b>14 - FAX</b><br>-                 | <b>15 - FAX</b><br>-                          |                        |
| <b>16 - E-MAIL</b><br>ri@ctEEP.com.br                     |                                   |                                      |   |                        |

**01.04 - GENERAL INFORMATION/INDEPENDENT ACCOUNTANT**

|   |                |                        |                      |                |  |                                 |                |
|---|----------------|------------------------|----------------------|----------------|--|---------------------------------|----------------|
| <b>CURRENT YEAR</b>   |                | <b>CURRENT QUARTER</b> |                      |                | <b>PRIOR QUARTER</b>   |                                 |                |
| <b>1 - BEGINNING</b>  | <b>2 - END</b> | <b>3- QUARTER</b>      | <b>4 - BEGINNING</b> | <b>5 - END</b> | <b>6 - QUARTER</b>   | <b>7 - BEGINNING</b>            | <b>8 - END</b> |
| 1/1/2007  | 12/31/2007     | 3                      | 7/1/2007             | 9/30/2007      | 2  | 4/1/2007                        | 6/30/2007      |
| <b>9 - INDEPENDENT ACCOUNTANT</b><br>PricewaterhouseCoopers Auditores Independentes |                |                        |                      |                |  | <b>10 - CVM CODE</b><br>00287-9 |                |
| <b>11 - PARTNER RESPONSIBLE</b><br>Sérgio Eduardo Zamora                            |                |                        |                      |                | <b>12 - INDIVIDUAL TAXPAYERS' REGISTRATION NUMBER OF THE PARTNER RESPONSIBLE</b><br>107.092.038-02 |                                 |                |

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**FEDERAL GOVERNMENT SERVICE**  
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**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

**Unaudited**

Corporate Legislation  
September 30, 2007

**01.01 - IDENTIFICATION**

|                     |  |  |
|---------------------|--|--|
| <b>1 - CVM CODE</b> | <b>2 - COMPANY NAME</b>                      | <b>3 - Federal Corporate Taxpayers' Registration Number - CNPJ</b> |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04   |

**01.05 - CAPITAL COMPOSITION**

| Number of shares<br>(Thousands) | Current Quarter<br>9/30/2007 | Prior quarter<br>6/30/2007 | Same quarter in prior year<br>9/30/2006 |
|---------------------------------|------------------------------|----------------------------|---|
| <b>Paid-up capital</b>          |                              |                            |   |
| 1 - Common                      | 62,559                       | 62,558,663                 | 62,558,663                              |
| 2 - Preferred                   | 86,726                       | 86,726,372                 | 86,726,372                              |
| 3 - Total                       | 149,285                      | 149,285,035                | 149,285,035                             |
| <b>Treasury Stock</b>           |                              |                            |   |
| 4 - Common                      | 0                            | 0                          | 0                                       |
| 5 - Preferred                   | 0                            | 0                          | 0                                       |
| 6 - Total                       | 0                            | 0                          | 0                                       |

**01.06 - CHARACTERISTICS OF THE COMPANY**

|   |
|---|
| <b>1 - TYPE OF COMPANY</b><br>Commercial, Industrial and Other                |
| <b>2 - SITUATION</b><br>Operating   |
| <b>3 - NATURE OF OWNERSHIP</b><br>Local Private                               |
| <b>4 - ACTIVITY CODE</b><br>1120 - Electric energy                            |
| <b>5 - MAIN ACTIVITY</b><br>Electric energy transmission                      |
| <b>6 - TYPE OF CONSOLIDATION</b><br>Not presented                             |
| <b>7 - TYPE OF REPORT OF THE INDEPENDENT ACCOUNTANT</b><br>Without exceptions |

**01.07 - COMPANIES EXCLUDED FROM THE CONSOLIDATED FINANCIAL STATEMENTS**

|                 |                 |                 |
|-----------------|-----------------|-----------------|
| <b>1 - ITEM</b> | <b>2 - CNPJ</b> | <b>3 - NAME</b> |
|-----------------|-----------------|-----------------|

**01.08 - DIVIDENDS APPROVED AND/OR PAID DURING AND AFTER THE QUARTER**

| 1 - ITEM | 2 - EVENT | 3 - DATE APPROVED | 4 - TYPE                         | 5 - DATE OF PAYMENT | 6 - TYPE OF SHARE | 7 - AMOUNT PER SHARE |
|----------|-----------|-------------------|----------------------------------|---------------------|-------------------|----------------------|
| 01       | RCA       | 07/10/2007        | Dividend                         | 07/18/2007          | ON                | 0.0016093174         |
| 02       | RCA       | 07/10/2007        | Dividend                         | 07/18/2007          | PN                | 0.0016093174         |
| 03       | RCA       | 10/01/2007        | Dividend                         | 10/17/2007          | ON                | 1.1622830000         |
| 04       | RCA       | 10/01/2007        | Dividend                         | 10/17/2007          | PN                | 1.1622830000         |
| 05       | RCA       | 10/31/2007        | Interest on shareholders' equity | 11/19/2007          | ON                | 1.3371400646         |
| 06       | RCA       | 10/31/2007        | Interest on shareholders' equity | 11/19/2007          | PN                | 1.3371400646         |

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|-------------------------|--|--|

01.09 - CAPITAL SUBSCRIBED AND ALTERATIONS IN THE CURRENT YEAR

| 1 - ITEM | 2 - DATE OF ALTERATION | 3 - CAPITAL<br>(IN THOUSANDS OF REAIS) | 4 - AMOUNT OF THE<br>ALTERATION<br>(IN THOUSANDS OF REAIS) | 5 - NATURE OF ALTERATION | 7 - NUMBER OF SHARES ISSUED<br>(THOUSANDS) | 8 - SHARE PRICE ON ISSUE DATE<br>(IN REAIS) |
|----------|------------------------|--|--|--------------------------|--|---|
|----------|------------------------|--|--|--------------------------|--|---|

01.10 - INVESTOR RELATIONS OFFICER

|                        |               |
|------------------------|---------------|
| 1 - DATE<br>11/08/2007 | 2 - SIGNATURE |
|------------------------|---------------|

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| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**02.01 - Balance Sheet - Assets (R\$ thousand)**

| 1 - Code      | 2 - Description                                      | 3 - 9/30/2007 | 4 - 6/30/2007 |
|---------------|--|---------------|---------------|
| 1             | Total assets   | 4,970,225     | 5,005,406     |
| 1.01          | Current assets                                       | 409,950       | 550,741       |
| 1.01.01       | Cash and cash equivalents                            | 99,578        | 249,951       |
| 1.01.02       | Receivables  | 259,960       | 252,726       |
| 1.01.02.01    | Trade accounts receivable                            | 224,663       | 173,817       |
| 1.01.02.02    | Sundry receivables                                   | 35,297        | 78,909        |
| 1.01.02.02.01 | Amounts receivable from the State Finance Department | 15,259        | 14,661        |
| 1.01.02.02.02 | Deferred income tax and social contribution          | 12,572        | 30,041        |
| 1.01.02.02.03 | Taxes and contributions to be offset                 | 3,433         | 29,219        |
| 1.01.02.02.04 | Pledges and restricted deposits                      | 3,631         | 3,579         |
| 1.01.02.02.05 | Prepaid expenses                                     | 402           | 1,409         |
| 1.01.03       | Inventories  | 33,683        | 32,500        |
| 1.01.04       | Other  | 16,729        | 15,564        |
| 1.02          | Non-current assets                                   | 4,560,275     | 4,454,665     |
| 1.02.01       | Long-term receivables                                | 465,276       | 422,660       |
| 1.02.01.01    | Sundry receivables                                   | 457,018       | 419,166       |
| 1.02.01.01.01 | Trade accounts receivable                            | 46,176        | 0             |
| 1.02.01.01.02 | Amounts receivable from the State Finance Department | 282,277       | 256,631       |
| 1.02.01.01.03 | Deferred income tax and social contribution          | 75,011        | 84,103        |
| 1.02.01.01.04 | Pledges and restricted deposits                      | 48,710        | 66,983        |
| 1.02.01.01.05 | Prepaid expenses                                     | 4,844         | 11,449        |
| 1.02.01.02    | Receivables from related parties                     | 0             | 0             |
| 1.02.01.02.01 | Associated and similar companies                     | 0             | 0             |
| 1.02.01.02.02 | Subsidiaries   | 0             | 0             |
| 1.02.01.02.03 | Other related parties                                | 0             | 0             |
| 1.02.01.03    | Other  | 8,258         | 3,494         |
| 1.02.02       | Permanent assets                                     | 4,094,999     | 4,032,005     |
| 1.02.02.01    | Investments  | 0             | 0             |
| 1.02.02.01.01 | In associated and similar companies                  | 0             | 0             |
| 1.02.02.01.02 | In associated and similar companies - goodwill       | 0             | 0             |
| 1.02.02.01.03 | In subsidiaries                                      | 0             | 0             |
| 1.02.02.01.04 | In subsidiaries - goodwill                           | 0             | 0             |
| 1.02.02.01.05 | Other investments                                    | 0             | 0             |
| 1.02.02.02    | Property, plant and equipment                        | 4,034,185     | 3,974,405     |
| 1.02.02.03    | Intangible assets                                    | 57,600        | 57,600        |
| 1.02.02.04    | Deferred charges                                     | 3,214         | 0             |

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**02.02 - Balance Sheet - Liabilities and Shareholders' Equity (R\$ thousand)**

| 1 - Code      | 2 - Description  | 3 - 9/30/2007 | 4 - 6/30/2007 |
|---------------|--|---------------|---------------|
| 2             | Total liabilities and shareholders' equity                               | 4,970,225     | 5,005,406     |
| 2.01          | Current liabilities  | 314,129       | 262,409       |
| 2.01.01       | Loans and financing  | 110,464       | 50,056        |
| 2.01.02       | Debentures   | 0             | 0             |
| 2.01.03       | Suppliers  | 21,045        | 46,044        |
| 2.01.04       | Taxes, charges and contributions   | 77,343        | 44,973        |
| 2.01.04.01    | Taxes payable  | 44,311        | 16,544        |
| 2.01.04.02    | Payroll charges payable  | 8,292         | 9,255         |
| 2.01.04.03    | Regulatory charges payable   | 24,740        | 19,174        |
| 2.01.05       | Dividends payable  | 2,448         | 1,667         |
| 2.01.05.01    | Interest on shareholders' equity   | 867           | 877           |
| 2.01.05.02    | Dividends  | 1,581         | 790           |
| 2.01.06       | Provisions   | 56,909        | 106,392       |
| 2.01.07       | Payables to related parties  | 0             | 0             |
| 2.01.08       | Other  | 45,920        | 13,277        |
| 2.01.08.01    | Amounts payable - Fundação CESP  | 7,521         | 7,273         |
| 2.01.08.02    | Other  | 38,399        | 6,004         |
| 2.02          | Non-current liabilities  | 592,074       | 635,128       |
| 2.02.01       | Long-term liabilities  | 504,318       | 543,125       |
| 2.02.01.01    | Loans and financing  | 548           | 561           |
| 2.02.01.02    | Debentures   | 0             | 0             |
| 2.02.01.03    | Provisions   | 225,434       | 289,660       |
| 2.02.01.04    | Payables to related parties  | 0             | 0             |
| 2.02.01.05    | Advance for future capital increase                                      | 0             | 0             |
| 2.02.01.06    | Other  | 278,336       | 252,904       |
| 2.02.01.06.01 | Amounts payable - Fundação CESP  | 224,649       | 224,218       |
| 2.02.01.06.02 | Special liabilities - Rever./ Amortization                               | 24,053        | 24,053        |
| 2.02.01.06.04 | Other  | 29,634        | 4,633         |
| 2.02.02       | Deferred income  | 87,756        | 92,003        |
| 2.04          | Shareholders' equity   | 4,064,022     | 4,107,869     |
| 2.04.01       | Paid-up capital  | 462,000       | 462,000       |
| 2.04.02       | Capital reserves   | 2,592,369     | 2,592,369     |
| 2.04.02.01    | Donations and investment subsidies                                       | 1,952,573     | 1,952,573     |
| 2.04.02.02    | Remuneration - Property, plant and equipment in progress and own capital | 633,053       | 633,053       |
| 2.04.02.03    | Tax incentives - Amazon Investment Fund (FINAM)                          | 6,743         | 6,743         |
| 2.04.03       | Revaluation reserves   | 0             | 0             |
| 2.04.03.01    | Own assets   | 0             | 0             |
| 2.04.03.02    | Subsidiary, associated and similar companies                             | 0             | 0             |
| 2.04.04       | Revenue reserves   | 180,687       | 181,436       |
| 2.04.04.01    | Legal  | 92,400        | 92,400        |
| 2.04.04.02    | Statutory  | 46,200        | 46,200        |
| 2.04.04.03    | Contingencies  | 0             | 0             |
| 2.04.04.04    | Unrealized profits   | 42,087        | 42,836        |
| 2.04.04.05    | Retention of profits   | 0             | 0             |
| 2.04.04.06    | Special for undistributed dividends                                      | 0             | 0             |
| 2.04.04.07    | Other revenue reserves   | 0             | 0             |
| 2.04.05       | Retained earnings/accumulated deficit                                    | 828,300       | 871,398       |
| 2.04.06       | Advance for future capital increase                                      | 666           | 666           |



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| 01837-6             | CITEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.898.611/0001-04                                |

**03.01 - Statement of Income (R\$ thousand)**

| 1 - Code   | 2 - Description                                       | 1 - 7/1/2007 to 9/30/2007 | 2 - 1/1/2007 to 9/30/2007 | 3 - 7/1/2006 to 9/30/2006 | 4 - 1/1/2006 to 9/30/2006 |
|------------|---|---------------------------|---------------------------|---------------------------|---------------------------|
| 3.01       | Gross sales and/or service revenues                   | 427,715                   | 1,165,743                 | 363,197                   | 1,045,030                 |
| 3.01.01    | Electricity network usage revenues                    | 423,829                   | 1,154,512                 | 359,826                   | 1,034,226                 |
| 3.01.02    | Other revenues  | 3,886                     | 11,231                    | 3,371                     | 10,804                    |
| 3.02       | Deductions from gross revenues                        | (48,254)                  | (105,720)                 | 25,015                    | (61,124)                  |
| 3.03       | Net sales and/or service revenues                     | 379,461                   | 1,060,023                 | 368,212                   | 983,906                   |
| 3.04       | Cost of sales and/or services                         | (78,492)                  | (280,727)                 | (48,277)                  | (263,279)                 |
| 3.05       | Gross profit  | 300,969                   | 779,296                   | 339,935                   | 720,627                   |
| 3.06       | Operating expenses/ income                            | (11,444)                  | (47,222)                  | (85,240)                  | (252,625)                 |
| 3.06.01    | Selling   | 0                         | 0                         | 0                         | 0                         |
| 3.06.02    | General and administrative                            | (29,136)                  | (141,911)                 | (139,364)                 | (297,852)                 |
| 3.06.03    | Financial   | 17,692                    | 94,680                    | 53,024                    | 45,227                    |
| 3.06.03.01 | Financial income                                      | 25,022                    | 111,581                   | 57,652                    | 118,964                   |
| 3.06.03.02 | Financial expenses                                    | (7,330)                   | (18,892)                  | (4,628)                   | (71,737)                  |
| 3.06.04    | Other operating expenses                              | 0                         | 0                         | 0                         | 0                         |
| 3.06.05    | Other operating income                                | 0                         | 0                         | 0                         | 0                         |
| 3.06.06    | Equity in the results of investees                    | 0                         | 0                         | 0                         | 0                         |
| 3.07       | Operating results                                     | 0                         | 0                         | 0                         | 0                         |
| 3.08       | Non-operating results                                 | 289,575                   | 732,074                   | 254,595                   | 468,002                   |
| 3.08.01    | Income  | 8,094                     | 89,240                    | (180)                     | 861                       |
| 3.08.02    | Expenses  | 8,387                     | 89,850                    | 1                         | 1,429                     |
| 3.09       | Profit before taxation and profit sharing             | (293)                     | (610)                     | (161)                     | (568)                     |
| 3.10       | Provision for income tax and social contribution      | 267,619                   | 821,314                   | 254,435                   | 468,963                   |
| 3.11       | Deferred income tax                                   | (76,904)                  | (105,940)                 | (115,490)                 | (195,970)                 |
| 3.12       | Statutory profit sharing and contributions            | (24,315)                  | (156,844)                 | 30,303                    | 38,321                    |
| 3.12.01    | Profit sharing  | 0                         | 0                         | 0                         | 0                         |
| 3.12.02    | Contributions   | 0                         | 0                         | 0                         | 0                         |
| 3.13       | Reversal of interest on shareholders' equity          | 198,400                   | 558,521                   | 189,248                   | 54,356                    |
|            | Net income (loss) for the period                      | 198,400                   | 558,521                   | 189,248                   | 363,968                   |
|            | NUMBER OF SHARES (THOUSAND), EXCLUDING TREASURY STOCK | 149,285                   | 149,285                   | 149,285,035               | 149,285,035               |
|            | NET INCOME PER SHARE - R\$                            | 1.37580                   | 3.74131                   | 0.00113                   | 0.00244                   |
|            | LOSS PER SHARE - R\$                                  |                           |                           |                           |                           |

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**

**(All amounts in thousands of reais unless otherwise indicated)**

**1 OPERATIONS**

CTEEP - Companhia de Transmissão de Energia Elétrica Paulista ("CTEEP" or the "Company"), a publicly-traded company, is authorized to operate as an electric power public service concessionaire, and is principally engaged in the planning, construction and operation of electric power transmission systems, as well as in research and development programs related to energy transmission and other activities related to available technology. The Company's activities are regulated and inspected by the National Electric Power Agency (ANEEL).

The Company originated from the partial spin-off of CESP - Companhia Energética de São Paulo, and started its commercial operations as of April 1, 1999. On November 10, 2001, EPTE - Empresa Paulista de Transmissão de Energia Elétrica S.A., derived from the partial spin-off of Eletropaulo - Eletricidade de São Paulo S.A., was merged into the Company.

In a privatization auction held on June 28, 2006, on the São Paulo Stock Exchange (BOVESPA), pursuant to Notice SF/001/2006, the São Paulo State Government, which was the majority shareholder up to then, sold 31,341,890,064 of its common shares, which account for 50.10% of the common shares issued by CTEEP. The winner of the auction was Interconexión Eléctrica S.A. E.S.P.

The financial settlement of the transaction took place on July 26, 2006, with the resulting transfer of the ownership of the aforementioned shares to ISA Capital do Brasil S.A., a Brazilian company controlled by Interconexión Eléctrica S.A. E.S.P., established to operate in Brazil, thus becoming CTEEP's controlling shareholder. This transaction was approved by ANEEL on July 25, 2006, pursuant to Authorizing Resolution No. 642/06, published in the Official Gazette on July 26, 2006.

On September 12, 2006, ISA Capital do Brasil S.A. purchased another 10,021,687 common shares issued by CTEEP, held by the Government of the State of São Paulo, and became the holder of 31,351,911,751 common shares.

On January 9, 2007, ISA Capital do Brasil S.A. acquired, through a public offering auction for the acquisition of shares held on BOVESPA, 24,572,554,070 common shares issued by CTEEP, corresponding to 39.28% of the total of this type of shares, pursuant to the public offering notice published on December 4, 2006.

- As a result of this acquisition, ISA Capital do Brasil S.A. became the holder of 89.40% of the voting capital and 37.46% of the total capital of CTEEP. Thus, prior to the reverse stock split on July 12, 2007 (Note 15.d), of a total of 62,558,662 common shares, 55,924,465 are held by ISA Capital do Brasil S.A.

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE  
BRAZILIAN SECURITIES COMMISSION (CVM)  
QUARTERLY INFORMATION (ITR)  
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**

**(All amounts in thousands of reais unless otherwise indicated)**

- The Company's shares are traded on BOVESPA. Additionally, CTEEP has a Rule 144A American Depositary Receipts (ADRs) program in the United States. The depositary bank for the ADRs is the Bank of New York, and the custodian bank is Banco Itaú S.A.

**2 CORPORATE GOVERNANCE**

In September 2002, the Company adopted the Level-1 Corporate Governance Practices of BOVESPA. Accordingly, the Company, whose preferred shares are included in the BOVESPA index (IBOVESPA), was also included in the Corporate Governance Index (IGC).

The commitments assumed as a result of the adoption of corporate governance practices ensure greater transparency of the Company for the market, investors and shareholders, thus facilitating the monitoring of management actions.

**3 PRESENTATION OF THE QUARTERLY INFORMATION (ITR)**

The Quarterly Information (ITR) was prepared in accordance with accounting practices adopted in Brazil, taking the following into consideration:

- Law No. 6404/76, amended by Law No. 9457/97 and Law No. 10303/01;
- The standards and regulations of the Brazilian Securities Commission ("CVM");
- The accounting practices issued by the Institute of Independent Auditors of Brazil ("IBRACON"); and
- The standards of specific legislation by the National Electric Power Agency (ANEEL) applicable to electric power public service concessionaires, including SFF/ANEEL Official Letters No. 2396, of December 28, 2006, 059, of January 11, 2007, 190, of February 1, 2005 and 302 of February 25, 2005.

In order to improve its disclosures to the market, the Company presents the following supplemental information:

- Cash flows

Prepared in accordance with Accounting Standards and Procedures No. 20 of IBRACON, considering the main operations affecting the Company's cash and cash equivalents, presented in Note 27.

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**

**(All amounts in thousands of reais unless otherwise indicated)**

• **Changes in shareholders' equity**

Prepared pursuant to Resolution No. 59/86 and Deliberation No. 488/05 of the Brazilian Securities Commission (CVM), showing the changes that occurred in each account of shareholders' equity, presented in Note 15(b).

This Quarterly Information (ITR) is in conformity with the principles, methods and criteria adopted by the Company as of the closing of the 2006 fiscal year.

**4 SIGNIFICANT ACCOUNTING PRACTICES**

**a. Financial investments**

Financial investments are stated at cost plus accrued income up to the balance sheet date (Note 5).

**b. Trade accounts receivable**

Includes the amounts billed relating to the use of the basic network systems and other transmission facilities (DIT) by the electric power public service concessionaire and companies connected to these systems (Note 6).

**c. Allowance for doubtful accounts**

Comprises amounts whose realization is considered improbable at the balance sheet date.

**d. Inventories**

The materials in stock are appraised and recorded at average cost of purchase, which does not exceed the replacement value. The materials destined for property, plant and equipment are recorded in property, plant and equipment in progress.

**e. Property, plant and equipment**

The items that comprise the Company's property, plant and equipment are stated at cost of acquisition and/or construction, including price-level restatements up to December 31, 1995, plus the Complementary Monetary Adjustment (CMC), introduced by Law No. 8200, of June 28, 1991, interest on shareholders' equity up to December 31, 1998, financial charges, monetary and foreign exchange variations on loans and financing linked to property, plant and equipment in progress; net of the accumulated depreciation and amortization.

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE  
BRAZILIAN SECURITIES COMMISSION (CVM)  
QUARTERLY INFORMATION (ITR)  
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**

**(All amounts in thousands of reais unless otherwise indicated)**

Depreciation is computed on the straight-line basis, at annual rates that range from 2% to 8.3% for the assets connected to the transmission system, 10% for furniture and fixtures and 20% for vehicles, under the terms of ANEEL's Resolution No. 002, of December 24, 1997, amended by ANEEL's Resolution No. 44, of March 17, 1999. As from 2007, the depreciation will be computed pursuant to ANEEL's Normative Resolution No. 240, of December 5, 2006.

**f. Income tax and social contribution**

These are calculated in compliance with the provisions of applicable legislation, based on net income, adjusted by the inclusion of non-deductible expenses and the exclusion of non-taxable revenues and the inclusion and/or exclusion of temporary differences.

**g. Provision for contingencies**

This provision is recorded based on an evaluation of the probability of loss of the ongoing lawsuits, supported by reports prepared by the legal counsel engaged by the Company.

**h. Deferred income**

Refers to the negative goodwill recorded on the purchase of 49% of the common shares of Empresa Paulista de Transmissão de Energia Elétrica S.A. (EPTE). These shares were held by the São Paulo State Finance Department and Companhia Paulista de Administração de Ativos (CPA) and were purchased on March 26, 1999 by Companhia Energética de São Paulo (CESP). Upon the partial spin-off of CESP, these shares and the negative goodwill were transferred to CTEEP. EPTE was merged into the Company on November 10, 2001.

This negative goodwill is being amortized monthly, on the straight-line basis, over the concession period of EPTE, and its maturity is December 2012.

**i. Pension benefit plans**

The Company sponsors pension and health care plans for its employees, which are managed by Fundação CESP. The actuarial liabilities were calculated on the projected unit credit method, as set forth by CVM's Resolution No. 371, of December 13, 2000.

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE  
BRAZILIAN SECURITIES COMMISSION (CVM)  
QUARTERLY INFORMATION (ITR)  
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**

**(All amounts in thousands of reais unless otherwise indicated)**

**j. Assets and liabilities subject to monetary/ foreign exchange adjustments**

In the event these are subject to any type of restatement, they are monetarily adjusted based on the indices established by legislation or in the contract, up to the balance sheet date.

Based on the provisions of Accounting Instruction 6.3.10, item 4, of the Accounting Manual for the Electric Energy Public Service, the interest and other financial charges, as well as monetary/ foreign exchange variations, relating to financing obtained from third parties, effectively applied to property, plant and equipment in progress, comprise the costs recorded in this subgroup.

**k. Estimates**

The preparation of the Quarterly Information in accordance with accounting practices adopted in Brazil requires management to use some estimates to account for certain transactions affecting the Company's assets and liabilities, revenues and expenses, as well as the disclosure of information on the data of its accounting statements. The final results of these transactions and information, upon their actual realization in subsequent periods, may differ from the estimates. The principal estimates related to the Quarterly Information refer to the allowance for doubtful accounts, the provision for contingencies and the Voluntary Termination Program (PDV).

**l. Interest on shareholders' equity**

Interest on shareholders' equity is stated as an appropriation of results, directly in shareholders' equity, and, for tax purposes, it is classified as a financial expense, reducing the income tax and social contribution calculated on the profit for the year.

**m. Net income per thousand shares**

Determined taking into consideration the number of shares that comprise the Company's paid-up capital at the balance sheet date.

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited  
Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

**5 CASH AND CASH EQUIVALENTS**

|                       | 9.30.2007     | 6.30.2007      |
|-----------------------|---------------|----------------|
| Cash and banks        | 36,316        | 48,813         |
| Financial investments | 63,262        | 201,138        |
|                       | <u>99,578</u> | <u>249,951</u> |

The financial investments refer to Bank Deposit Certificates and Debentures, whose profitability is linked to the variation of the Interbank Deposit Certificate (CDI) and have daily liquidity.

**6 TRADE ACCOUNTS RECEIVABLE**

|                                     | 9.30.2007      |               | 6.30.2007      |
|-------------------------------------|----------------|---------------|----------------|
|                                     | Current        | Long-term     | Total          |
| Basic network                       | 203,956        | 39,213        | 243,169        |
| Other transmission facilities - DIT | 20,707         | 6,963         | 27,670         |
|                                     | <u>224,663</u> | <u>46,176</u> | <u>270,839</u> |

**7 AMOUNTS RECEIVABLE - STATE FINANCE DEPARTMENT**

|  | 9.30.2007     |                | 6.30.2007      |
|--|---------------|----------------|----------------|
|  | Current       | Long-term      | Total          |
| Agreement for the Recognition and Consolidation of Liabilities (i) | 12,633        | 48,426         | 61,059         |
| Processing of the Payroll - Law 4819/58 (ii)                       | -             | 161,789        | 161,789        |
| Sale of property (iii)   | 2,626         | 10,066         | 12,692         |
| Labor proceedings - Law 4819/58 (iv)                               | -             | 61,996         | 61,996         |
| Family allowances - Law 4819/58 (v)                                | -             | 2,218          | 2,218          |
| Allowance for doubtful accounts                                    | -             | (2,218)        | (2,218)        |
|  | <u>15,259</u> | <u>282,277</u> | <u>297,536</u> |

**i. Agreement for the Recognition and Consolidation of Liabilities**

On May 2, 2002, an Agreement for the Recognition and Consolidation of Liabilities was entered into with the São Paulo State Finance Department, in which the State

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE  
BRAZILIAN SECURITIES COMMISSION (CVM)  
QUARTERLY INFORMATION (ITR)  
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**

**(All amounts in thousands of reais unless otherwise indicated)**

Government acknowledges and admits that it owes to the Company the amounts corresponding to the disbursements originally made by CESP - Companhia Energética de São Paulo, in the period from 1990 to 1999, for paying supplemental retirement and pension payrolls, arising from benefits under the terms of State Law No. 4819/58. The amount admitted was adjusted up to January 2002, by the variation of the Fiscal Unit of the São Paulo State Government (UFESP), and, as from February 2002, by the monthly variation of the General Market Price Index (IGP-M), plus 6% per annum. The reimbursement will be made in 120 monthly installments, starting on August 1, 2002 and with final settlement on July 1, 2012.

**ii. Processing of the Payroll - Law 4819/58**

The amount of R\$ 161,789 refers to the remaining balance of the processing of the payroll of the supplemental pension plan regulated by State Law No. 4819/58, R\$ 1,426 of which through individual injunctions from January to August 2005 and R\$ 160,363 from September 2005 to September 2007 as a result of a court decision by the 49<sup>th</sup> Labor Court of São Paulo, whose payments are made by Fundação CESP, with resources received from the State Government and passed on by the Company (Note 24). This balance will not be monetarily adjusted and neither will include any type of earnings until the State Government approves its actual payment to the Company.

**iii. Sale of a property**

On July 31, 2002, a Private Transaction Instrument was signed, providing for the sale of a property, the recognition of liabilities and commitment to pay, with the State Finance Department, in which the State Government acknowledges and admits that it owes to the Company an amount corresponding to the market value of the total area of the property occupied by the State Government which is being partially used for the construction of prison units.

Therefore, the State Government committed to reimburse the Company of said amount in 120 monthly installments, the first of which on August 1, 2002 and final settlement on July 1, 2012, adjusted by the monthly variation of the General Market Price Index (IGP-M) plus interest of 6% per annum.

**iv. Labor proceedings - Law 4819/58**

These refer to certain labor proceedings settled by the Company, relating to employees who retired supported by State Law No. 4819/58, which are the



(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

responsibility of the State Government. This balance is not monetarily adjusted and will not include any type of earnings until the State Government approves its actual payment to the Company.

**v. Family allowances - Law 4819/58**

CESP - Companhia Energética de São Paulo made advances for the payment of monthly expenses related to family allowances arising from the benefits of State Law No. 4819/58, which were transferred to the Company upon the partial spin-off of CESP.

Considering the expectation of loss, the Company's management recorded an allowance for doubtful accounts, in non-current assets, in the amount of R\$ 2,218.

**8 TAXES AND CONTRIBUTIONS TO BE OFFSET**

|  | 9.30.2007    | 6.30.2007     |
|--|--------------|---------------|
| Income tax                               | 849          | 13,936        |
| Social contribution                      | 469          | 8,501         |
| Social Contribution on Revenues (COFINS) | 1,083        | 494           |
| Social Integration Program (PIS)         | 235          | 5,504         |
| Other                                    | 797          | 784           |
|  | <u>3,433</u> | <u>29,219</u> |

**9 DEFERRED INCOME TAX AND SOCIAL CONTRIBUTION**

These refer to tax credits on the temporary differences in the determination of taxable income, mainly the provision for contingencies and the Voluntary Termination Program (PDV).

These credits, both current and long-term, will be realized as the contingencies and other related events are resolved.

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**

(All amounts in thousands of reais unless otherwise indicated)

**10 PROPERTY, PLANT AND EQUIPMENT**

|  | 9.30.2007        |                          | 6.30.2007        |                  |
|--|------------------|--------------------------|------------------|------------------|
|  | Adjusted cost    | Accumulated depreciation | Net              | Net              |
| <b>In Use</b>                                  |                  |                          |                  |                  |
| Land (a)                                       | 44,538           | -                        | 44,538           | 44,681           |
| Buildings, civil construction and improvements | 584,567          | (366,810)                | 217,757          | 219,274          |
| Machinery and equipment                        | 5,290,559        | (2,404,967)              | 2,885,592        | 2,804,508        |
| Vehicles                                       | 19,534           | (18,092)                 | 1,442            | 1,797            |
| Furniture and fixtures                         | 24,650           | (14,248)                 | 10,402           | 9,184            |
|  | 5,963,848        | (2,804,117)              | 3,159,731        | 3,079,444        |
| <b>In Progress</b>                             | 890,522          | -                        | 890,522          | 911,029          |
| <b>Special liabilities (b)</b>                 |                  |                          |                  |                  |
| Donations received                             | (16,068)         | -                        | (16,068)         | (16,068)         |
|  | <u>6,838,302</u> | <u>(2,804,117)</u>       | <u>4,034,185</u> | <u>3,974,405</u> |

In accordance with articles 63 and 64 of Decree No. 41019, of February 26, 1957, assets and installations used in the transmission of electric power are linked to these services and cannot be retired, sold or pledged as mortgage guarantees without the prior and express authorization of the regulatory agency. ANEEL Resolution No. 20, of February 3, 1999, regulates the electric power utility concession assets, giving prior authorization for releasing assets no longer serviceable to the concession, when intended for sale, and determining that the proceeds from the sale be deposited in a restricted bank account, and invested in the concession.

- (a) Lots of land owned by the Company in São José dos Campos, the book value of which is R\$ 114. These lots of land are pledged as collateral in a tax collection proceeding relating to the Municipal Real Estate Tax (IPTU) (Note 13(b)).
- (b) Special liabilities refer to assets the Company received from electric power public service concessionaires and customers to make investments in the concession.

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited  
Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

**11 LOANS AND FINANCING**

|                       |                |                 | 9.30.2007           | 6.30.2007      |
|-----------------------|----------------|-----------------|---------------------|----------------|
|                       | Principal      | Current Charges | Long-term Principal | Total          |
| <b>Local currency</b> |                |                 |                     |                |
| ELETRORÁS             | 50             | 6               | 548                 | 604            |
| Banco Safra (a)       | 50,000         | 408             | -                   | 50,408         |
| Banco Alfa (b)        | 50,000         | -               | -                   | 50,000         |
| Banco do Brasil (c)   | 10,000         | -               | -                   | 10,000         |
|                       | <u>110,050</u> | <u>414</u>      | <u>548</u>          | <u>111,012</u> |
|                       |                |                 |                     | <u>50,617</u>  |

(a) Refers to a loan agreement with Banco Safra, entered into on June 21, 2007, in the amount of R\$ 50,000, effective up to October 19, 2007. This loan bears monthly charges at the rate of 101.9% of the daily average of the Interbank Deposit Certificate (CDI) and falls due on the first business day of each month.

(b) Refers to a loan agreement with Banco Alfa, entered into on July 20, 2007, in the amount of R\$ 50,000, effective up to May 26, 2008. This loan bears monthly charges at the rate of 103.85% of the daily average of the CDI and falls due on the last business day of each month.

(c) Refers to a loan agreement with Banco do Brasil, entered into on September 28, 2007, in the amount of R\$ 10,000, effective up to September 8, 2008. This loan bears monthly charges at the rate of 103.0% of the daily average of the CDI and falls due on the last business day of each month.

These balances may be partially or fully repaid at any time throughout the terms of the agreements.

On September 17, 2007, the Company signed a loan agreement with the National Bank for Economic and Social Development (BNDES), in the amount of R\$ 764.2 million. This amount accounts for 70% of the total investment, which includes construction aimed at system improvements, reinforcements, modernization of the current transmission system and new projects, and is part of the 2006/2008 Pluriannual Investment Plan. On October 25, 2007, R\$ 400.0 million was released. The remaining R\$ 364.2 million should be released by October 2008.

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited  
Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

**12 TAXES PAYABLE**

|                        | 9.30.2007     | 6.30.2007     |
|------------------------|---------------|---------------|
| Income tax             | 24,957        | 6,735         |
| Social contribution    | 11,249        | 2,419         |
| COFINS                 | 5,440         | 4,682         |
| PIS                    | 1,180         | 1,015         |
| Inspection fee - ANEEL | 543           | 548           |
| Other                  | 942           | 1,145         |
|                        | <u>44,311</u> | <u>16,544</u> |

**13 PROVISIONS**

|   | 9.30.2007     |                | 6.30.2007      |
|---|---------------|----------------|----------------|
|   | Current       | Non-current    | Total          |
| Vacation pay, 13 <sup>th</sup> month salary and payroll charges | 14,822        | -              | 14,822         |
| Profit Sharing - PLR  | 5,111         | -              | 5,111          |
| Voluntary Termination Program - PDV                             | 36,976        | 19,522         | 56,498         |
| Contingencies   | -             | 205,912        | 205,912        |
|   | <u>56,909</u> | <u>225,434</u> | <u>282,343</u> |
|   |               |                | <u>396,053</u> |

**(a) Voluntary Termination Program (PDV)**

The Company, which had 2,737 employees as of October 31, 2006, approved a Voluntary Termination Program, with an adhesion period from November 21 to November 30, 2006 obtaining 1,534 adhesions.

Due to this fact, there were 1,444 employee terminations, 1,121 of which in 2007 (167 in the third quarter) and 323 in 2006, which represented expenses of R\$ 328,291 and R\$ 78,979, respectively. The expenses with the PDV include financial incentives, Government Severance Indemnity Fund for Employees (FGTS) fine, prior notice and health care assistance, among others.

**(b) Provision for Contingencies**

On a quarterly basis, the contingencies are assessed and classified as regards the

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

probability of an unfavorable outcome, as follows:

| Type                        | 9.30.2007      |                 |                 | 6.30.2007      |                 |                 |
|-----------------------------|----------------|-----------------|-----------------|----------------|-----------------|-----------------|
|                             | Provision      | Escrow deposits | Net liabilities | Provision      | Escrow deposits | Net Liabilities |
| Labor (i)                   | 125,797        | 15,659          | 110,138         | 150,740        | 15,127          | 135,613         |
| Civil                       | 5,143          | -               | 5,143           | 1,023          | -               | 1,023           |
| Tax- IPTU (ii)              | 67,343         | -               | 67,343          | 70,144         | -               | 70,144          |
| Tax - COFINS (iii)          | -              | 18,907          | (18,907)        | 38,524         | 38,524          | -               |
| Social security - INSS (iv) | 7,629          | 7,629           | -               | 6,825          | 6,825           | -               |
|                             | <u>205,912</u> | <u>42,195</u>   | <u>163,717</u>  | <u>267,256</u> | <u>60,476</u>   | <u>206,780</u>  |

Escrow deposits are recorded in current and non-current assets under "Pledges and restricted deposits".

The Company is a party to tax, labor and civil lawsuits, whose unfavorable outcomes are regarded as possible by management, based on the assessment of its legal counsel, in the estimated amount of R\$ 18,754 (6.30.07 - R\$ 24,736), mainly labor lawsuits, for which no provisions have been recorded.

**(i) Labor**

The Company assumed responsibility for certain lawsuits at different courts, mainly arising from CESP's partial spin-off and the merger of EPTE - Empresa Paulista de Transmissão de Energia Elétrica S.A.

**(ii) Tax - Municipal Real Estate Tax (IPTU)**

The Company recognizes a provision to cover debts with the municipal governments of São Paulo and São José dos Campos, in the amounts of R\$ 7,081, and R\$ 60,262, respectively, totaling R\$ 67,343.

The provision for the São Paulo municipal government refers to the process of rectification of areas, due to discrepancies in CTEEP's registration data, whereas the provision for the São José dos Campos municipal government involves land undergoing expropriation.

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE  
BRAZILIAN SECURITIES COMMISSION (CVM)  
QUARTERLY INFORMATION (ITR)  
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited  
Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

**(iii) Social Contribution on Revenues (COFINS)**

The Company is challenging in court the constitutionality of the increase in the COFINS rate and calculation basis, in the amounts of R\$ 27,392 and R\$ 11,132, respectively.

The Company obtained a favorable outcome as regards the increase in the calculation basis and an unfavorable outcome in relation to the increase in the rate. Accordingly, in the third quarter of 2007, the Company reversed the portion of the provision related to the increase in the calculation basis against results and that referring to the increase in the COFINS rate against the related escrow deposit. The Company has started a process to release the escrow deposit which, as adjusted, corresponds to R\$ 18,907.

**(iv) National Institute of Social Security (INSS)**

On August 10, 2001, the Company received from the National Institute of Social Security (INSS) a delinquency notice for nonpayment of social security contribution on compensation paid to its employees in the form of meal tickets, morning snack and basket of food staples for the period from April 1999 to July 2001. Accordingly, management decided to establish a reserve and make an escrow deposit in the amount of R\$ 7,629, recorded in non-current assets, under "Pledges and restricted deposits".

**14 AMOUNTS PAYABLE - FUNDAÇÃO CESP**

The amounts classified in current and long-term liabilities refer to the balances of two debt acknowledgement agreements for financing of actuarial deficit with Fundação CESP, totaling R\$ 232,170 (06.30.07 - R\$ 231,491), related to Settled Proportional Pension Plans (BSPS), with monthly payments and final maturities scheduled for September and November 2017, adjusted based on the greater of actuarial cost variation (General Price Index - Internal Availability (IGP-DI) plus interest of 6% per year) or the TR (a managed prime rate) plus interest of 8% per year.

As defined in the related agreements, at the end of the fiscal year, balances are adjusted for determining contributions for the subsequent year, according to actuarial deficits or surpluses, calculated in accordance with the actuarial methodology of Fundação CESP.

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

As of December 31, 2006, the date of the last actuarial evaluation, as required by CVM Resolution No. 371/00, the calculation of the liabilities with the private pension entity did not result in any need to record additional liabilities.

**15 SHAREHOLDERS' EQUITY**

**(a) Capital**

The Company's authorized capital is R\$ 1,469,090, R\$ 615,696 of which refers to common shares and R\$ 853,394 to preferred shares, all of which are book-entry and have no par value.

Subscribed and paid-up capital is R\$ 462,000, comprised of 149,285,034 shares, 62,558,662 of which are common shares and 86,726,372 preferred.

Common shares are entitled to one vote in the decisions of the general meetings.

Preferred shares are nonvoting, but have priority in capital reimbursement and payment of noncumulative dividends of 10% per year calculated on the paid-up capital corresponding to this type of share.

**(b) Changes in shareholders' equity**

The changes in shareholders' equity during 2007 are as follows:

|                           | Quarter          | Accumulated      |
|---------------------------|------------------|------------------|
| Opening balance           | 4,107,869        | 3,745,505        |
| Lapsed dividends          | -                | 243              |
| Dividends paid            | (240,247)        | (240,247)        |
| Net income for the period | 196,400          | 558,521          |
|                           | <u>4,064,022</u> | <u>4,064,022</u> |

**(c) Payment of dividends**

At an Extraordinary General Meeting held on July 10, 2007, the Board of Directors decided to pay dividends to the shareholders, in the amount of R\$ 240,247, which corresponds to R\$ 1.609317 per thousand shares. The payment commenced as of July 18, 2007.

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**

(All amounts in thousands of reais unless otherwise indicated)

**(d) Reverse stock split**

At an Extraordinary General Meeting (AGE) held on July 12, 2007, the stockholders approved the proposal of the Board of Directors held on June 18, 2007 for the reverse stock split of the Company's shares at the ratio of one new share for each existing one thousand shares of each class.

This reverse stock split will not change the amount of the Company's capital and its aim is to align with the trading standards adopted by the São Paulo Stock Exchange (BOVESPA), as the latter has been instructing publicly-held companies to adopt a unit quotation for their shares instead of the quotation per one thousand shares. This should allow for more favorable conditions in the trading of the shares issued by the Company.

**16 REVENUES FROM ELECTRICITY NETWORK USAGE**

Revenues from electricity network usage, accumulated in 2007, amounted to R\$ 1,154,512 (R\$ 1,034,226 accumulated in 2006). This revenue comprises the following:

|  | 9.30.2007      |                  | 9.30.2006      |                  |
|--|----------------|------------------|----------------|------------------|
|  | Quarter        | Accumulated      | Quarter        | Accumulated      |
| <b>Basic network</b>                           |                |                  |                |                  |
| Existing assets                                | 265,408        | 797,368          | 263,779        | 782,311          |
| New investments                                | 70,376         | 163,759          | 32,198         | 97,930           |
| Surplus (Deficit)                              | 5,273          | 8,201            | 8,620          | (1,654)          |
| Adjustment                                     | 18,185         | 11,916           | (3,096)        | (2,250)          |
|  | <u>359,242</u> | <u>981,244</u>   | <u>301,501</u> | <u>876,337</u>   |
| <b>Other transmission facilities - DIT</b>     |                |                  |                |                  |
| Existing assets                                | 19,250         | 52,722           | 17,161         | 67,712           |
| New investments                                | 6,667          | 15,555           | 11,756         | 17,749           |
| Adjustment                                     | 9,428          | 9,428            | -              | -                |
|  | <u>35,345</u>  | <u>77,705</u>    | <u>28,917</u>  | <u>85,461</u>    |
| <b>Charges</b>                                 |                |                  |                |                  |
| Fuel Consumption Account - CCC                 | 14,148         | 52,261           | 17,065         | 41,418           |
| Energy Development Account - CDE               | 12,346         | 35,328           | 10,613         | 26,888           |
| Alternative Source Incentive Program (PROINFA) | 2,748          | 7,974            | 1,530          | 4,122            |
|  | <u>29,242</u>  | <u>95,563</u>    | <u>29,208</u>  | <u>72,428</u>    |
|  | <u>423,829</u> | <u>1,154,512</u> | <u>359,626</u> | <u>1,034,226</u> |



(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE  
BRAZILIAN SECURITIES COMMISSION (CVM)  
QUARTERLY INFORMATION (ITR)  
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**

**(All amounts in thousands of reais unless otherwise indicated)**

**(a) Allowed Annual Revenue (RAP) of the Miguel Reale Substation**

In December 2002, ANEEL authorized CTEEP to implement the Miguel Reale Substation expansion project, whose investment value used to calculate the RAP was R\$ 323,236.

In September 2004, ANEEL performed an inspection in order to validate the investments made in the project and concluded that the investment amounts should be reduced, for purposes of setting a new amount of the RAP, retroactively to July 2004, by R\$ 232,164.

Due to the reduction in the investments of said project, the related annual amount of the RAP beginning July 2005 was then reduced by R\$ 32,251. The Company considers this reduction invalid and filed Official Letter OF/F No. 2828, of July 8, 2005, with ANEEL claiming its restoration.

On March 2, 2006, through Official Letter No. 321/06, the Financial and Economic Oversight Board (SFF) of ANEEL submitted an Inspection Follow-up Report (RAF) that analyzed CTEEP's request and upheld the SFF's initial position.

On March 23, 2006, through Official Letter OF/F No. 1372/06, CTEEP filed an Administrative Appeal with ANEEL, requesting a review of SFF's position.

**(b) Periodic Review of Allowed Annual Revenue (RAP)**

In accordance with Concession Agreement No. 59, signed with the Federal Government on June 20, 2001, through the intermediation of ANEEL, every four years as from the date on which this agreement was signed, ANEEL will make a periodic review of the Allowed Annual Revenue (RAP) of electric energy transmission related to the facilities of authorized projects whose business operations commenced after December 31, 1999, for the purpose of promoting efficiency and low rates, in accordance with the methodology approved by Normative Resolution No. 257, of March 6, 2007.

Through Resolution No. 488, of June 26, 2007, the result of the first periodic rate review of Companhia de Transmissão de Energia Elétrica Paulista - CTEEP was approved, reducing the Allowed Annual Revenue (RAP) by 26.15%, to be applied to the Basic Network - New Facilities (RBNI) and Other Facilities - New Investments (RCDM) portions effective on July 1, 2005.

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**

(All amounts in thousands of reais unless otherwise indicated)

The effects of this rate adjustment will be backdated to July 1, 2005. The difference in the amounts charged from July 2005 to June 30, 2007, amounting to R\$ 66,688, will be offset in 24 (twenty-four) months by means of the contractual mechanism for an adjustment portion. The effects referring to the period from July 1, 2007 to June 30, 2008 were considered in Authorizing Resolution No. 496.

**(c) Annual Revenue Adjustment**

On June 29, 2007, Authorizing Resolution No. 496 was issued, establishing CTEEP's annual allowed revenues for making available the transmission facilities that comprise the Basic Network and Other Transmission Facilities, for a twelve-month cycle from July 1, 2007 to June 30, 2008.

According to the mentioned Resolution, the Allowed Annual Revenue (RAP) of CTEEP, which was R\$ 1,314,400 on July 1, 2006 increased to R\$ 1,478,456 on July 1, 2007, representing an increment of R\$ 164,056 or 12.5%.

The analysis of the revenue effective from July 1, 2007 to June 30, 2008 is as follows:

|  |                         |
|--|-------------------------|
| <b>Basic network</b>                       |                         |
| Existing assets                            | 940,542                 |
| New investments                            | 174,618                 |
|  | <u>1,115,160</u>        |
| <b>Other transmission facilities - DIT</b> |                         |
| Existing assets.                           | 270,584                 |
| New investments                            | 20,060                  |
|  | <u>290,644</u>          |
| <b>LT Chavantes Botucatu</b>               | 12,047                  |
| <b>Adjustment</b>                          | 60,605                  |
|  | <u><u>1,478,456</u></u> |

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

**17 COST OF SERVICES AND GENERAL AND ADMINISTRATIVE EXPENSES**

|              | 9.30.2007      |                | 9.30.2006      |                |
|--------------|----------------|----------------|----------------|----------------|
|              | Quarter        | Accumulated    | Quarter        | Accumulated    |
| Personnel    | 48,174         | 166,038        | 81,308         | 256,029        |
| Services     | 11,054         | 43,680         | 19,167         | 59,478         |
| Depreciation | 43,688         | 129,047        | 42,563         | 127,041        |
| Other        | 4,712          | 83,873         | 43,603         | 118,583        |
|              | <u>107,628</u> | <u>422,638</u> | <u>186,641</u> | <u>561,131</u> |

**18 FINANCIAL INCOME AND EXPENSES**

|  | 9.30.2007      |                 | 9.30.2006      |                 |
|--|----------------|-----------------|----------------|-----------------|
|  | Quarter        | Accumulated     | Quarter        | Accumulated     |
| <b>Income</b>                            |                |                 |                |                 |
| Income from financial investments        | 2,141          | 19,274          | 17,148         | 61,138          |
| Interest receivable                      | 15,244         | 18,131          | 1,178          | 4,009           |
| Adjustment - CETEMEQ                     | -              | 54,769          | -              | -               |
| Adjustment of tax credits - PIS/COFINS   | -              | 1,822           | 33,856         | 33,856          |
| Amortization of negative goodwill        | 4,247          | 12,739          | 4,246          | 12,739          |
| Monetary and foreign exchange variations | 1,861          | 2,972           | 713            | 3,597           |
| Other                                    | 1,529          | 1,874           | 511            | 1,625           |
|  | <u>25,022</u>  | <u>111,581</u>  | <u>57,652</u>  | <u>116,964</u>  |
| <b>Expenses</b>                          |                |                 |                |                 |
| Interest on shareholders' equity         | -              | -               | -              | (54,354)        |
| Debt charges                             | (4,588)        | (7,217)         | (1,937)        | (6,258)         |
| Tax on Bank Account Outflows - CPMF      | (1,467)        | (6,345)         | (1,416)        | (5,209)         |
| Charges on Global Reversal Reserve (RGR) | (279)          | (837)           | (279)          | (837)           |
| Monetary and foreign exchange variations | (522)          | (1,255)         | (622)          | (4,170)         |
| Other                                    | (474)          | (1,238)         | (374)          | (909)           |
|  | <u>(7,330)</u> | <u>(16,892)</u> | <u>(4,628)</u> | <u>(71,737)</u> |

**19 INCOME TAX AND SOCIAL CONTRIBUTION ON NET INCOME**

The Company records monthly provisions for income tax and social contribution on the accrual basis, calculated based on monthly trial balances (for tax suspension and reduction purposes).

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**

(All amounts in thousands of reais unless otherwise indicated)

|  | 9.30.2007 |              | Accumulated<br>9.30.2006 |              |
|--|-----------|--------------|--------------------------|--------------|
|  | Inc. Tax  | Social Cont. | Inc. Tax                 | Social Cont. |
|  |           |              |                          |              |
| Profit before taxation                           | 821,314   | 821,314      | 468,863                  | 468,863      |
| Provision for labor contingencies                | 9,916     | 9,916        | 4,175                    | 4,175        |
| Provision for tax contingency - IPTU             | 7,584     | 7,584        | 8,514                    | 8,514        |
| Provision for civil contingency                  | 4,120     | -            | -                        | -            |
| Negative goodwill on investment acquisition      | (12,739)  | (12,739)     | 22,805                   | 15,503       |
| Reversal of provisions                           | (528,390) | (498,973)    | (20,056)                 | (20,056)     |
| Regulatory asset - Constitution                  | (4,191)   | (4,191)      | (35,001)                 | (35,001)     |
| Regulatory asset - Realization                   | 833       | 833          | 41,483                   | 41,483       |
| Regulatory asset - Reversal                      | 6,605     | 6,605        | 88,696                   | 88,696       |
| Tax incentive - Rouanet Law                      | 180       | -            | 490                      | 490          |
| Other  | 624       | -            | 254                      | 192          |
| Calculation basis                                | 305,856   | 330,349      | 580,223                  | 572,859      |
| 15% rate   | (45,878)  |              | (87,034)                 |              |
| 10% rate   | (30,568)  |              | (58,004)                 |              |
| 9% rate  |           | (29,732)     |                          | (51,557)     |
| Tax incentives                                   | 229       |              | 625                      |              |
| Provision for Income Tax and Social Contribution | (76,217)  | (29,732)     | (144,413)                | (51,557)     |
| Deferred Income Tax and Social Contribution      | (119,635) | (37,209)     | 26,613                   | 9,708        |
| Income Tax and Social Contribution Expense       | (195,852) | (66,941)     | (117,800)                | (41,849)     |

**20 SALE OF THE TECHNICAL CENTER FOR EQUIPMENT MAINTENANCE - CETEMEQ**

On April 13, 1998, a Private Agreement for Assignment and Transfer of Rights and Obligations was signed by and between EPTE - Empresa Paulista de Transmissão de Energia Elétrica S.A., merged into the Company on November 10, 2001, and Eletropaulo Metropolitana Eletricidade de São Paulo S.A. ("Eletropaulo") relating to the real property located at Rua Lavapés, 463, Cambuci, São Paulo, whose market price is R\$ 70,496, payable in 21 equal and successive monthly installments, with maturity on the first business day of each month, beginning May 1998. In view of the contestation by Eletropaulo of the aforementioned amount and the fact that the installments had not been received, EPTE filed collection lawsuits on February 11, 1999 and October 18, 2000, with the 1<sup>st</sup> and 36<sup>th</sup> Civil District Courts of the Central Jurisdiction of São Paulo, respectively.

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE  
BRAZILIAN SECURITIES COMMISSION (CVM)  
QUARTERLY INFORMATION (ITR)  
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**

**(All amounts in thousands of reais unless otherwise indicated)**

In December 2000, the net book value of this asset, in the amount of R\$ 4,904, was written off from property, plant and equipment, and the related sale, deferred taxes on the gain resulting from the sale, allowance for doubtful accounts and tax credits were recorded.

On February 27, 2007, through a Private Transaction Agreement entered into by and between Eletropaulo and CTEEP, the parties agreed to the following:

- a) The real property subject to the collection lawsuits was appraised at R\$ 125,265, and, accordingly, the Company recorded financial income due to monetary adjustment of R\$ 54,769;
- b) From the agreed-upon amount mentioned in the prior item, R\$ 35,562 was deducted as IPTU (Municipal Real Estate Tax) levied on real properties that, upon the partial spin-off of Eletropaulo, were transferred to EPTE, which was in turn merged into CTEEP. This amount was originally due by CTEEP to the São Paulo Municipal Government, and settled by Eletropaulo at the time it joined REFIS (Tax Debt Refinancing Program) of the Municipality of São Paulo, resulting in Eletropaulo's receivable from CTEEP;
- c) Accordingly, on March 6, 2007, Eletropaulo made a deposit in the amount of R\$ 89,703 in an account at Banco ABN AMRO REAL S.A., whose release to CTEEP was linked to the publication of the ratification decision by one of the courts involved in this settlement, which occurred on March 19, 2007;
- d) On March 27, 2007, through letter CT/P/918/2007, CTEEP requested from Banco ABN AMRO REAL S.A. the transfer of the total amount to its investment account, thus terminating the disposal process of CETEMEQ; and
- e) Eletropaulo assumes the commitment to provide for the regularization of the ownership status of the real properties transferred by it to EPTE/CTEEP, subject of the agreement in question, as well as any others that may be in its possession but belonging to CTEEP, as a result of the Memorandum for Partial Spin-off of Eletropaulo, dated December 22, 1997.

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE  
BRAZILIAN SECURITIES COMMISSION (CVM)  
QUARTERLY INFORMATION (ITR)  
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**

**(All amounts in thousands of reais unless otherwise indicated)**

**21 CONCESSIONS**

Through Administrative Rule No. 185, of June 6, 2001, issued by the Ministry of Mines and Energy (MME), the concession held by the Company for the electric power transmission service related to the basic network and other transmission facilities was extended for 20 years, as from July 8, 1995.

Accordingly, on June 20, 2001, the concession agreement No. 059 for the electric power transmission service was entered into by and between CTEEP and the concession authority, through ANEEL.

This concession agreement was amended on December 14, 2001, in view of the merger of EPTE into the Company. The initially agreed conditions were maintained, except for the Allowed Annual Revenue (RAP), which was reduced by 0.58% in July 2002 and 3.56% in July 2003, equivalent to 50% of the efficiency gains expected from the merger, whose effects were recognized in ANEEL Ratifying Resolutions in those months.

Due to the acquisition of the shareholder control of CTEEP by ISA Capital do Brasil S.A., on June 28, 2006, the Second Amendment to Concession Agreement 059/2001 - ANEEL of CTEEP was signed on January 29, 2007, in order to reflect this reality of the new controlling shareholder. In this amendment, the initially agreed-upon conditions were maintained and a clause was added defining that the goodwill paid in the auction, as well as the special obligations and amounts arising from State Law No. 4819/58 provided for in Sale Notice SF/001/2006, will not be considered by ANEEL for purposes of evaluation of the economic and financial balance of the concession. Also as a result of this amendment, ISA Capital do Brasil S.A. and Interconexión Eléctrica S.A. E.S.P. (Colombia) assume the commitment to make capital contributions to CTEEP.

**22 FINANCIAL INSTRUMENTS**

The Company's main source of revenues is the use of its electric power transmission system by other concessionaires and agents. Its annual revenue related to the basic network and other transmission facilities is defined by ANEEL, pursuant to prevailing legislation.

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited  
Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

The main risk factors inherent to the Company's operations may be identified as follows:

**Credit risk** - the Company has agreements with the National Electric System Operator (ONS), concessionaires and other agents for regulating the provision of services related to the basic network for 215 users, with a bank guarantee clause. Likewise, the Company has agreements regulating the provision of services in other transmission facilities with 32 concessionaires and other agents, with a bank guarantee clause.

**Price risk** - pursuant to the concession agreement, the Company's revenues are annually adjusted by ANEEL based on the variation of the General Market Price Index (IGP-M), and part of the revenues is subject to periodic review every four years (Note 16(b)).

**Interest rate risk** - the debt agreements with Fundação CESP bear interest based on the variation of the General Price Index - Internal Availability [IGP-DI] plus 6% per annum, or the TR (a managed prime rate) plus interest of 8% per year, whichever is higher (Note 14).

The carrying amounts of asset and liability financial instruments, compared with the amounts that might be obtained in active market trading, or in the absence thereof, with the net present value adjusted at the prevailing market interest rate, approximate their market values.

**23 COLLECTION LAWSUIT FILED BY ELETROBRÁS  
AGAINST ELETROPAULO AND EPTE**

In 1989, Centrais Elétricas Brasileiras S.A. - ELETROBRÁS filed a collection lawsuit against Eletropaulo - Eletricidade de São Paulo S.A. (currently Eletropaulo Metropolitana Eletricidade de São Paulo S.A. - "Eletropaulo") referring to the balance of a certain financing agreement. Eletropaulo did not agree with the criteria for monetarily adjusting the said financing agreement and made escrow deposits for the amounts it understood to be due to ELETROBRÁS. In 1999, a judgment was issued on the aforementioned lawsuit, ordering Eletropaulo to pay the balance calculated by ELETROBRÁS.

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

Under the partial spin-off protocol of Eletropaulo, made on December 31, 1997 and which resulted in the establishment of EPTE - Empresa Paulista de Transmissão de Energia Elétrica S.A. and other companies, Eletropaulo is solely liable for obligations of any kind referring to acts up to the spin-off date, except for contingent liabilities whose provisions had been allocated in the spin-off process. In the case in question, at the time of the spin-off, there was no allocation to EPTE of any provision for such purpose, leaving it clear that Eletropaulo was exclusively liable for the said contingency. At the time of the spin-off, there was only the transfer to EPTE assets of an escrow deposit in the historical amount of R\$ 4.00, made in 1988 by Eletropaulo, referring to the amount that it understood to be owed to ELETROBRÁS regarding the balance of the aforementioned financing agreement, and allocation to EPTE's liabilities of the same amount referring to this debt.

Therefore, under the partial spin-off protocol of Eletropaulo, EPTE would be liable for known and ascertained debts in the exact adjusted amount available in the aforementioned escrow deposit made in 1988, and Eletropaulo would be liable for the contingent liabilities referring to the difference between the amount demanded in court by ELETROBRÁS and the adjusted amount of the escrow deposit. In October 2001, ELETROBRÁS executed the sentence referring to the financing agreement, charging R\$ 429 million to Eletropaulo and R\$ 49 million to EPTE, understanding that EPTE would pay its part with the adjusted amounts of the escrow deposit. EPTE was merged into CTEEP on November 10, 2001, succeeding it in its rights and obligations.

On September 26, 2003, a decision of the Court of Justice of the State of Rio de Janeiro was published, excluding Eletropaulo from the execution of the aforementioned sentence. Due to these facts, ELETROBRÁS filed, on December 16, 2003, a Special Appeal in the Superior Court of Justice and an Extraordinary Appeal in the Federal Supreme Court to maintain the collection regarding Eletropaulo. Appeals similar to those of ELETROBRÁS were filed by CTEEP, and the Company's Special Appeal is already registered with the Superior Court of Justice under No. 809,672.

On June 29, 2006, the Superior Court of Justice accepted the special appeal filed by CTEEP, with respect to reversing the decision of the Court of Justice of the State of Rio de Janeiro that excluded Eletropaulo from the execution action filed by ELETROBRÁS. As a result, the execution action filed by ELETROBRÁS against Eletropaulo and EPTE will proceed, as per the lower court decision, ensuring CTEEP's right of defense as EPTE's successor.



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**FEDERAL GOVERNMENT SERVICE  
BRAZILIAN SECURITIES COMMISSION (CVM)  
QUARTERLY INFORMATION (ITR)  
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited  
Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**  
**(All amounts in thousands of reais unless otherwise indicated)**

Due to said acceptance by the Superior Court of Justice, on December 4, 2006, Eletropaulo filed a special appeal, which was rejected, according to the decision published on April 16, 2007. In light of the Superior Court of Justice's decision, understanding that the pre-execution exception offered by Eletropaulo is not suitable, unless the execution of the decision is amended or suspended, which is not probable, the Company believes that ELETROBRÁS will insist on the execution of the decision, as described above.

With respect to that debt and in view of the formal documents of the partial spin-off of Eletropaulo, CTEEP, according to the understanding of its Management and legal counsel, is only liable for the payment equivalent to the adjusted amount of the escrow deposit made in 1988 for this purpose and which is currently part of its assets, and intends to proceed in the defense of such right. On the other hand, the Company has not recognized a reserve for the remaining contingency, which the Company understands as being the liability of Eletropaulo, from which the debt is being so charged by ELETROBRÁS.

The total contingency is currently estimated at approximately R\$ 924,583.

**24 SUPPLEMENTARY PENSION PLAN REGULATED  
BY STATE LAW No. 4819/58**

**Significant event notices**

• **July 19, 2005**

*"In compliance with CVM Instruction No. 358/2002, CTEEP - Companhia de Transmissão de Energia Elétrica Paulista comes public to clarify aspects related to the supplementary pension plan regulated by State Law No. 4819/58. This plan applies to employees hired up to May 13, 1974, as mentioned in Note 23.1 to the financial statements of the Company as of December 31, 2004. The funds required to cover the charges of the plan are the responsibility of the appropriate agencies of the Government of the State of São Paulo; this was implemented according to an agreement entered into on December 10, 1999 between the São Paulo State Finance Department and the Company, effective until December 31, 2003. Such procedure was regularly performed until December 2003 by Fundação CESP, with funds from the State Finance Department, transferred by CTEEP. In January 2004, the Finance Department began to directly process those payments, without the participation of CTEEP and Fundação CESP.*

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE  
BRAZILIAN SECURITIES COMMISSION (CVM)  
QUARTERLY INFORMATION (ITR)  
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**

**(All amounts in thousands of reais unless otherwise indicated)**

The decision of the 49<sup>th</sup> Labor Court of São Paulo was reported to CTEEP on July 11, 2005 (lawsuit No. 1339/2005-1), authorizing Fundação CESP to resume processing the payment of benefits established by State Law No. 4819/58, according to the respective regulation, in the same manner that had been made until December 2003, with funds transferred by CTEEP. On July 13, 2005, the 49<sup>th</sup> Labor Court of São Paulo gave 60 days for the fulfillment of this decision. In the website of the Regional Labor Court of São Paulo, there is a summary of a similar decision (lawsuit SDC No. 20058200400002000) of June 30, 2005, determining that Fundação CESP, using the funds transferred by CTEEP, may process again the beneficiaries' retirement and pension payments established by State Law No. 4819/58.

*To comply with the mentioned court decisions, CTEEP must require, on a monthly basis, the necessary funds from the São Paulo State Finance Department, to be transferred to Fundação CESP, which must process the payments to the beneficiaries. Said decisions apply to about 6,500 beneficiaries, with a monthly expense in the amount of R\$ 23 million, which, in the understanding of CTEEP, is the responsibility of the State of São Paulo, as it was through December 2003. Consequently, CTEEP will challenge said judicial decisions, as it understands that the responsibility for the payment of the abovementioned benefits is, under applicable legislation, of the State of São Paulo."*

• **January 27, 2006**

*"CTEEP - Companhia de Transmissão de Energia Elétrica Paulista, in accordance with CVM Instruction No. 358/02, comes public to announce a change in procedure by the State Finance Department, due to a recent understanding of the State Attorney General regarding the transfer of funds to CTEEP for compliance with the decision of the 49<sup>th</sup> Labor Court of São Paulo, which authorized Fundação CESP to once again process the pension plan benefit payments established by State Law No. 4819/58 using funds received from the State of São Paulo and transferred by CTEEP. This matter has been previously addressed in Note 22 of the Quarterly Information (ITR) of CTEEP as of September 30, 2005.*

*The State Finance Department transferred to CTEEP, on January 27, 2006, an amount lower than necessary to comply with the decision of the 49<sup>th</sup> Labor Court. The effective expenditure of CTEEP this month for purposes of said court decision was R\$ 19,725, transferred to Fundação CESP, having received R\$ 14,976 from the State Finance Department for this purpose. The State Finance Department informed that this month it disallowed certain expenses*

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE  
BRAZILIAN SECURITIES COMMISSION (CVM)  
QUARTERLY INFORMATION (ITR)  
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**

**(All amounts in thousands of reais unless otherwise indicated)**

*due to the recent understanding by the State Attorney General regarding the State's responsibility in this case. The decision of the 49th Labor Court currently applies to 5,528 beneficiaries. The State Finance Department continues directly paying 794 benefits established by State Law No. 4819/58.*

*CTEEP is still endeavoring to change the decision of the 49<sup>th</sup> Labor Court so as to return the responsibility for the pension plan benefit payments established by State Law No. 4819/58 to the State Finance Department. CTEEP confirms its legal department's understanding that expenses arising from State Law No. 4819/58 and related regulation are the full responsibility of the State Finance Department, and is analyzing the applicable actions to safeguard the Company's interests."*

• **February 24, 2006**

*"CTEEP - Companhia de Transmissão de Energia Elétrica Paulista, in accordance with CVM Instruction No. 358/2002, comes public to announce, supplementing the information included in the Significant Event Notice of January 27, 2006, that, in February 2006, the State Finance Department transferred to CTEEP the amount of R\$ 12,802 to comply with the decision of the 49<sup>th</sup> Labor Court of São Paulo, which ruled that Fundação CESP must process the pension plan benefit payments established by State Law No. 4819/58, using the funds received from the State of São Paulo and transferred by CTEEP. In February, CTEEP's total expenditure to comply with said court decision was R\$ 19,652.*

*CTEEP continues its efforts to change the decision of the 49<sup>th</sup> Labor Court so as to return the responsibility for the pension plan benefit payments established by State Law No. 4819/58 to the State Finance Department, and will take other actions to safeguard the Company's interests."*

**Decision of the 49<sup>th</sup> Labor Court of São Paulo**

*On April 27, 2006, the 49<sup>th</sup> Labor Court of São Paulo rendered a decision on the above mentioned lawsuit, considering valid, in part, the claim at issue and maintaining the effects of the early relief previously granted (Significant Event Notice dated July 19, 2005), in addition to ordering the payment of the amounts overdue. On May 8, 2006, CTEEP filed appeals requesting clarification of the decision and amendment of certain aspects thereof.*

*The decision of the Superior Court of Justice issued on June 19, 2006, declaring that the State Court System has authority to judge the labor claims filed with the*

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE  
BRAZILIAN SECURITIES COMMISSION (CVM)  
QUARTERLY INFORMATION (ITR)  
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**

**(All amounts in thousands of reais unless otherwise indicated)**

*Labor Court directly seeking the amounts established by State Law No. 4819/58, annulled the decision of the 49<sup>th</sup> Labor Court of São Paulo and ordered that the case be submitted to an administrative court of the State Finance Department. As a result of the decision of the Superior Court of Justice, the amounts established by State Law No. 4819/58 will once again be paid directly by the São Paulo State Finance Department and no longer by Fundação CESP through a transfer from CTEEP, as it had been performed in accordance with the decision of the 49<sup>th</sup> Labor Court of São Paulo, which has now been annulled.*

*On June 28, 2006, the Superior Court of Justice granted an injunction to suspend the effects of the decision rendered by the same court on the conflict of jurisdiction on June 19, 2006. According to the notification received by CTEEP on June 30, 2006, the decision of the 49<sup>th</sup> Labor Court of São Paulo, which ordered the payment of the pension plan benefits as per State Law No. 4819/58 by Fundação CESP, using cash resources from the State of São Paulo transferred by CTEEP, shall prevail.*

**Current status**

As a result of the aforementioned facts and by force of said decision of the 49<sup>th</sup> Labor Court of São Paulo, as well as the decision of the Superior Court of Justice, CTEEP passed on to Fundação CESP, in the period of September 2005 to September 2007, the amount of R\$ 555,364 for paying the benefits under State Law No. 4819/58, having received from the State Finance Department the amount of R\$ 395,001 for this purpose. The difference between the amount passed on to Fundação CESP and the amount reimbursed by the State Finance Department, of R\$ 160,363, is being claimed by the Company at the administrative level (Note 7).

On the other hand, on October 20, 2005, CTEEP received from the State Attorney General (PGE) a copy of that agency's statement, dated October 6, 2005, regarding the consultation by the State Finance Department on the scope of said court decisions. In this statement, the State Attorney General concludes that the decision of the 49<sup>th</sup> Labor Court of São Paulo applies subjectively to the State Finance Department, which is the defendant in the claim. Accordingly, the State Attorney General concluded that "in the current scenario, the State Finance Department is liable for the full reimbursement of the amounts disbursed by CTEEP for compliance with the court decision regarding labor claim No. 1,145/2005-6, in progress at the 49<sup>th</sup> Labor Court of São Paulo". On the other hand, in the same statement, the State Attorney General concludes that the decision issued by the Regional Labor Court, whose effects are suspended by the injunction obtained as a result of the Claim for Correction, does not fully apply to the State Finance Department, which was removed from the lawsuit at the plaintiff Union's request. In

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE  
BRAZILIAN SECURITIES COMMISSION (CVM)  
QUARTERLY INFORMATION (ITR)  
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information  
(All amounts in thousands of reais unless otherwise indicated)**

this case, the State Finance Department should, according to the State Attorney General, reimburse CTEEP, under the strict limits of State Law No. 4819/58, excluding possible benefits, established by the related regulation, that surpass or that are in conflict with the specific legislation.

In view of all the matters described above, the State Attorney General, through Official Letter No. 01, dated February 10, 2006, and related Technical Note No. 01/06, changed its prior understanding, which was in effect through December 2005 for purposes of transfer of funds to CTEEP to comply with the decision of the 49<sup>th</sup> Labor Court of São Paulo. According to the current understanding of the State Attorney General, the State Finance Department must disallow certain transfers to CTEEP for purposes of transfer to Fundação CESP to comply with said court decision.

As informed in the Significant Event Notices transcribed above, CTEEP will continue its efforts to change the decision of the 49<sup>th</sup> Labor Court of São Paulo in order to return the responsibility for the pension plan benefit payment established by State Law No. 4819/58 to the State Finance Department. CTEEP also confirms its legal department's understanding that the expenses arising from State Law No. 4819/58 and related regulation are the full responsibility of the State Finance Department and is analyzing additional actions to protect the Company's interests. The Company records these disallowances as "Accounts receivable - São Paulo State Finance Department" (Note 7).

**25 CORPORATE RESTRUCTURING**

On July 23, 2007, the Company issued the following significant event notice:

The managements of ISA Capital do Brasil S.A. ("ISA Brasil"), ISA Participações do Brasil Ltda. ("ISA Participações") and CTEEP - Companhia de Transmissão de Energia Elétrica Paulista, in compliance with the provisions of CVM Instruction No. 358, of January 3, 2002, as amended by CVM Instruction No. 449, of March 15, 2007, publicly inform that they will submit to the appreciation, deliberation and approval, as applicable, of the National Electric Energy Agency ("ANEEL") and, subsequently, of their shareholders and quotaholders the following corporate restructuring process:

- (i) ISA Brasil is the current controlling stockholder of CTEEP and the holder of the goodwill paid in the process for the acquisition of the share control in the mentioned company ("Goodwill"). ISA Brasil is also the controlling stockholder of ISA Participações.

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**

**(All amounts in thousands of reais unless otherwise indicated)**

- (ii) The restructuring process comprises the transfer, by ISA Brasil, of the shares held in the capital of CTEEP to the capital of ISA Participações. Subsequently, ISA Participações will be merged into CTEEP and, as a result of this transaction, the Goodwill will be transferred to CTEEP.
- (iii) There will be no transfer of the share control in CTEEP as a result of the intended restructuring.
- (iv) The managements of the companies involved understand that the current corporate restructuring will allow for better capitalization and cash flow conditions in CTEEP, as a result of the tax saving generated by the amortization of the Goodwill.
- (v) The transaction will be implemented in a manner not to cause the transfer of any debts or liabilities and to avoid any adverse impacts on future flows of dividends to the stockholders of CTEEP. The tax benefit portion will be capitalized in favor of ISA Brasil, under the terms of Article 7 of CVM Instruction No. 319, of December 3, 1999.

It is intended that the transaction be concluded in the second six-month period of 2007. The proposed transaction is subject to the previous approval of ANEEL. As soon as the required approval is granted, the other legal steps will be taken and the significant event notice of CVM Resolution No. 319 will be issued.

**26 SUBSEQUENT EVENTS**

- (i) At an Extraordinary Meeting held on October 1, 2007, the Board of Directors approved the payment of dividends to the shareholders, in the amount of R\$ 173,511, corresponding to R\$ 1.162283 per share. The payment will commence as of October 17, 2007.
- (ii) At an Ordinary Meeting held on October 31, 2007, the Board of Directors approved the payment of interest on shareholders' equity, in the amount of R\$ 199,615, which corresponds to R\$ 1.337140 per share. The payment will commence as of November 19, 2007.
- (iii) With a bid of R\$ 28.9 million, the Company purchased lot A of auction No. 004/2007 held by ANEEL. This lot comprises the 500-KV transmission lines Colinas - Ribeiro Gonçalves C2 and Ribeiro Gonçalves - São João do Piauí C2, with a total extension of 720 km.

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**

(All amounts in thousands of reais unless otherwise indicated)

**27 CASH FLOWS**

**STATEMENTS OF CASH FLOWS FOR THE  
NINE-MONTH PERIODS ENDED**

(In thousands of reais)

|   | 9.30.2007      | 9.30.2006      |
|---|----------------|----------------|
| <b>Operating activities</b>   |                |                |
| Net income for the period   | 558,521        | 363,568        |
| Adjustments to reconcile net income to cash generated by operating activities |                |                |
| Depreciation and amortization   | 129,047        | 127,041        |
| Provision for inventory adjustment  | 349            | -              |
| Deferred income tax and social contribution                                   | 156,844        | (36,321)       |
| Provision for contingencies   | (74,822)       | 12,689         |
| Residual value of permanent asset disposals                                   | 4,369          | 6,180          |
| Amortization of negative goodwill   | (12,739)       | (12,739)       |
| Interest and foreign exchange variations on assets and liabilities            | 7,167          | 8,723          |
|   | <b>768,736</b> | <b>469,141</b> |
| <b>Decrease (increase) in assets</b>  |                |                |
| Trade accounts receivable   | (60,662)       | (9,710)        |
| Amounts receivable  | (76,174)       | (37,689)       |
| Inventories   | 2,960          | (2,822)        |
| Deferred income tax and social contribution                                   | (15,728)       | 32,007         |
| Taxes and contributions   | 84,663         | (159,461)      |
| Pledges and restricted deposits   | (9,263)        | (1,745)        |
| Prepaid expenses  | 6,799          | 99,502         |
| Other   | (50,454)       | 1,537          |
| <b>Increase (decrease) in liabilities</b>                                     |                |                |
| Suppliers   | (113,922)      | (80,900)       |
| Taxes payable   | 34,037         | 28,687         |
| Salaries  | (4,350)        | (1,742)        |
| Provisions  | (28,442)       | (4,987)        |
| Amounts payable   | (5,601)        | (9,021)        |
| Global reversal reserve - RGR   | (596)          | (1,739)        |
| Voluntary Termination Program - PDV   | (340,153)      | -              |
| Provision for fiscal and tax charges  | (11,132)       | -              |
| Other   | 53,941         | 3,148          |
| <b>Net cash generated by operating activities</b>                             | <b>234,659</b> | <b>324,206</b> |

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**04.01 - Notes to the Quarterly Information**

(All amounts in thousands of reais unless otherwise indicated)

|  | 9.30.2007        | 9.30.2006        |
|--|------------------|------------------|
| <b>Cash flow from investing activities</b>               |                  |                  |
| Purchases of property, plant and equipment               | (345,423)        | (291,844)        |
| Increase in deferred charges                             | (3,327)          | -                |
| Intangible assets  | (95)             | (505)            |
| <b>Net cash used in investing activities</b>             | <b>(348,845)</b> | <b>(292,349)</b> |
| <b>Cash flow from financing activities</b>               |                  |                  |
| Loans and financing                                      |                  |                  |
| Additions  | 110,000          | -                |
| Payments   | (1,207)          | (11,503)         |
| Dividends paid   | (409,500)        | (179,648)        |
| <b>Net cash used in financing activities</b>             | <b>(300,707)</b> | <b>(191,151)</b> |
| <b>Net decrease in cash and cash equivalents</b>         | <b>(414,893)</b> | <b>(159,294)</b> |
| Cash and cash equivalents at the end of the period       | 99,578           | 525,623          |
| Cash and cash equivalents at the beginning of the period | 514,471          | 684,917          |
| <b>Cash in cash and cash equivalents</b>                 | <b>(414,893)</b> | <b>(159,294)</b> |

\* \* \*



| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

#### **05.01 - Comments on Company Performance During the Quarter**

The Company's main source of revenues is the use of its transmission system by the electric power public service concessionaire and agents of the sector, whose annual tariffs were adjusted through Authorizing Resolution RH/ANEEL 496/07, effective up to June 30, 2008, and linked to the facilities of the Basic Network and Other Transmission Facilities.

In the third quarter of 2007, the Gross Operating Revenue reached R\$ 427,715 thousand, which, after the deductions of direct taxes and charges, resulted in a Net Operating Revenue of R\$ 379,461 thousand, a decrease of 2.3% in comparison to the R\$ 388,212 thousand recorded in the same quarter of the previous year.

The Operating Expenses which can be directly controlled by Management, referring to personnel, materials, third-party services and other, in the amount of R\$ 61,729 thousand, accounted for 16.3% of the Net Operating Revenue.

In the third quarter of 2007, the Operating Profit before Financial Results, in the amount of R\$ 271,833 thousand, exceeds the R\$ 201,571 thousand recorded in the same quarter of 2006 by 34.9%.

The EBITDA, comprised of the previous caption plus the Depreciation amount, reached R\$ 315,521 thousand, 83.1% of the Net Operating Revenue.

In view of the results achieved by the Company's operational management in the third quarter of 2007, the Company recorded a Net Income of R\$ 196,400 thousand, which exceeds that in the same quarter of 2006, R\$ 169,248 thousand, by 16%.

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**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02..998.611/0001-04                               |

**16.01 - Other Information Considered Relevant by the Company**

In compliance with the rules of Corporate Governance Practices, we present below the stockholdings of all those with a direct or indirect holding which exceeds 5% of each type and class of the Company's shares, up to individual holdings:

**1 Analysis of the Company's Stock Composition**

The Company's principal shareholders are:

|  | 9.30.2007                   |               |                   |               |                    |               |
|--|-----------------------------|---------------|-------------------|---------------|--------------------|---------------|
|  | Number of Shares - In Units |               |                   |               |                    |               |
|  | Common                      | %             | Preferred         | %             | Total              | %             |
| <b>Controlling shares</b>                        |                             |               |                   |               |                    |               |
| ISA Capital do Brasil S.A.                       | 55,924,465                  | 89.40         | -                 | -             | 55,924,465         | 37.46         |
| <b>Management</b>                                |                             |               |                   |               |                    |               |
| Executive Board                                  | -                           | -             | 1,300             | -             | 1,300              | -             |
| Board of Directors                               | 100                         | -             | 400               | -             | 500                | -             |
| Supervisory Board                                | -                           | -             | -                 | -             | -                  | -             |
|  | 100                         | -             | 1,700             | -             | 1,800              | -             |
| <b>Total controlling shares.</b>                 | <b>55,924,565</b>           | <b>89.40</b>  | <b>1,700</b>      | <b>-</b>      | <b>55,926,265</b>  | <b>37.46</b>  |
| <b>Outstanding shares</b>                        |                             |               |                   |               |                    |               |
| Government of the State of São Paulo             |                             |               |                   |               |                    |               |
| State Finance                                    |                             |               |                   |               |                    |               |
| Secretariat                                      | -                           | -             | 9,338,731         | 10.77         | 9,338,731          | 6.26          |
| <b>Federal Government</b>                        |                             |               |                   |               |                    |               |
| Centrais Elétricas Brasileiras S.A. - ELETROBRÁS | 6,160,836                   | 9.85          | 46,522,459        | 53.64         | 52,683,295         | 35.29         |
| <b>Other</b>                                     |                             |               |                   |               |                    |               |
| Grupo Hedging Griffo                             | -                           | -             | 4,873,849         | 5.62          | 4,873,849          | 3.26          |
| Other (b)  | 473,261                     | 0.75          | 25,989,633        | 29.97         | 26,462,894         | 17.73         |
|  | 473,261                     | 0.75          | 30,863,482        | 35.59         | 31,336,743         | 20.99         |
| <b>Total outstanding shares</b>                  | <b>6,634,097</b>            | <b>10.60</b>  | <b>86,724,672</b> | <b>100.00</b> | <b>93,358,769</b>  | <b>62.54</b>  |
| <b>Grand total</b>                               | <b>62,558,662</b>           | <b>100.00</b> | <b>86,726,372</b> | <b>100.00</b> | <b>149,285,034</b> | <b>100.00</b> |

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**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02..998.611/0001-04                               |

**16.01 - Other Information Considered Relevant by the Company**

|  | 9.30.2006                   |        |                |        |                 |        |
|--|-----------------------------|--------|----------------|--------|-----------------|--------|
|  | Number of Shares - In Units |        |                |        | Total           | %      |
|  | Common                      | %      | Preferred      | %      |                 |        |
| <b>Controlling shares</b>                        |                             |        |                |        |                 |        |
| ISA Capital do Brasil S.A.                       | 31,351,911,751              | 50.12  | -              | -      | 31,351,911,751  | 21.00  |
| <b>Management:</b>                               |                             |        |                |        |                 |        |
| Executive Board                                  | -                           | -      | 212,710        | -      | 212,710         | -      |
| Board of Directors.                              | 16                          | -      | 32             | -      | 48              | -      |
| Supervisory Board                                | -                           | -      | -              | -      | -               | -      |
|  | 16                          | -      | 212,742        | -      | 212,758         | -      |
|  | 31,351,911,767              | 50.12  | 212,742        | -      | 31,352,124,509  | 21.00  |
| <b>Outstanding shares</b>                        |                             |        |                |        |                 |        |
| <b>Government of the State of São Paulo</b>      |                             |        |                |        |                 |        |
| State Finance                                    |                             |        |                |        |                 |        |
| Secretariat                                      | 198                         | -      | 9,338,731,250  | 10.77  | 9,338,731,448   | 6.26   |
| <b>Federal Government</b>                        |                             |        |                |        |                 |        |
| Centrais Elétricas Brasileiras S.A. - ELETROBRÁS | 6,160,836,510               | 9.85   | 46,522,459,775 | 53.64  | 52,683,296,285  | 35.29  |
| Federal Government                               | 9,556,150,967               | 15.28  | -              | -      | 9,556,150,967   | 6.40   |
| <b>Other</b>                                     |                             |        |                |        |                 |        |
| CESPINVEST - Investment Club (a)                 | 8,870,264,655               | 14.18  | -              | -      | 8,870,264,655   | 5.94   |
| Other (b)  | 6,619,498,706               | 10.57  | 30,864,968,426 | 35.59  | 37,484,467,132  | 25.11  |
|  | 15,489,763,361              | 24.75  | 30,864,968,426 | 35.59  | 46,354,731,787  | 31.05  |
|  | 31,206,751,036              | 49.88  | 86,726,159,451 | 100.00 | 117,932,910,487 | 79.00  |
|  | 62,558,662,803              | 100.00 | 86,726,372,193 | 100.00 | 149,285,034,996 | 100.00 |

(a) Refers to the investment club of current and retired employees who participated in the share offering arising from the sale of the share control of CTEEP.

(b) Includes stockholders who individually hold less than 5% of each type and class of the Company's shares.

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**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02..998.611/0001-04                               |

**16.01 - Other Information Considered Relevant by the Company**

**2 Stockholdings, by type and class, of all those who hold, directly or indirectly, more than 5% of each type and class of the Company's shares, up to individual holdings:**

|   | 9.30.2007                   |               |                    |               |                      |               |
|---|-----------------------------|---------------|--------------------|---------------|----------------------|---------------|
|   | Number of Shares - In Units |               |                    |               |                      |               |
|   | Common                      | %             | Preferred          | %             | Total                | %             |
| <b>ISA Capital do Brasil S.A.</b>                       |                             |               |                    |               |                      |               |
| ISA Interconexión Eléctrica S.A. ESP                    | 828,267,196                 | 100.00        | -                  | -             | 828,267,196          | 100.00        |
| Luiz Fernando Alarcón Mantilla                          | 1                           | -             | -                  | -             | 1                    | -             |
| Guido Alberto Nute Amin                                 | 1                           | -             | -                  | -             | 1                    | -             |
| Fernando Augusto Rojas Pinto                            | 1                           | -             | -                  | -             | 1                    | -             |
| Carlos Alberto Rodríguez Lopez                          | 1                           | -             | -                  | -             | 1                    | -             |
|   | <u>828,267,200</u>          | <u>100.00</u> | <u>-</u>           | <u>-</u>      | <u>828,267,200</u>   | <u>100.00</u> |
| <b>ISA Interconexión Eléctrica S.A. ESP</b>             |                             |               |                    |               |                      |               |
| Ministério de Hacienda Y Crédito Público.               | 569,472,561                 | 55.87         | -                  | -             | 569,472,561          | 55.87         |
| Empresa Pública de Medellín                             | 102,582,317                 | 10.06         | -                  | -             | 102,582,317          | 10.06         |
| Empresa Colombiana de Petróleos - ECOPETROL.            | 58,925,480                  | 5.78          | -                  | -             | 58,925,480           | 5.78          |
| Fondo de Pensiones de Bogotá Obligorías Protección      | 50,396,714                  | 4.94          | -                  | -             | 50,396,714           | 4.94          |
| Other   | 237,890,091                 | 23.35         | -                  | -             | 237,890,091          | 23.34         |
|   | <u>1,019,267,163</u>        | <u>100.00</u> | <u>-</u>           | <u>-</u>      | <u>1,019,267,163</u> | <u>99.99</u>  |
| <b>Empresa Pública de Medellín</b>                      |                             |               |                    |               |                      |               |
| Municipality of Medellín                                | 4,223,308                   | 99.99         | -                  | -             | 4,223,308            | 99.99         |
| Other   | 4                           | 0.01          | -                  | -             | 4                    | 0.01          |
|   | <u>4,223,312</u>            | <u>100.00</u> | <u>-</u>           | <u>-</u>      | <u>4,223,312</u>     | <u>100.00</u> |
| <b>Empresa Colombiana de Petróleos - ECOPETROL</b>      |                             |               |                    |               |                      |               |
| Ministério de Hacienda Y Crédito Público                | 3,008,720                   | 99.99         | -                  | -             | 3,008,720            | 99.99         |
| Other   | 8                           | 0.01          | -                  | -             | 8                    | 0.01          |
|   | <u>3,008,728</u>            | <u>100.00</u> | <u>-</u>           | <u>-</u>      | <u>3,008,728</u>     | <u>100.00</u> |
| <b>Centrais Elétricas Brasileiras S.A. - ELETROBRÁS</b> |                             |               |                    |               |                      |               |
| Federal Government                                      | 488,656,241                 | 53.99         | 35,191,002         | 15.68         | 523,847,243          | 48.38         |
| BNDES Participações                                     | 133,757,951                 | 14.78         | -                  | -             | 133,757,951          | 11.84         |
| FND - National Development Fund                         | 45,621,589                  | 5.04          | -                  | -             | 45,621,589           | 4.04          |
| FGP - Guarantee Fund for Public -Private Partnerships   | 40,000,000                  | 4.42          | -                  | -             | 40,000,000           | 3.54          |
| Other   | 196,987,746                 | 21.77         | 189,283,973        | 84.32         | 386,271,719          | 34.20         |
|   | <u>905,023,527</u>          | <u>100.00</u> | <u>224,474,975</u> | <u>100.00</u> | <u>1,129,498,502</u> | <u>100.00</u> |
| <b>BNDES Participações</b>                              |                             |               |                    |               |                      |               |
| BNDES   | 1                           | 100.00        | -                  | -             | 1                    | 100.00        |
| <b>BNDES</b>  |                             |               |                    |               |                      |               |
| Federal Government                                      | 1                           | 100.00        | -                  | -             | 1                    | 100.00        |

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**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02..998.611/0001-04                               |

**16.01 - Other Information Considered Relevant by the Company**

|                                | 9.30.2007                   |   |           |        |           |        |
|--------------------------------|-----------------------------|---|-----------|--------|-----------|--------|
|                                | Number of Shares - In Units |   |           |        |           |        |
|                                | Common                      | % | Preferred | %      | Total     | %      |
| Grupo Heding Griffo            | -                           | - | 1,256,490 | 25.78  | 1,256,490 | 25.78  |
| HEDGING GR VERDE MASTER FIM    | -                           | - | 751,355   | 15.42  | 751,355   | 15.42  |
| GREEN HG FUND LLC              | -                           | - | 480,670   | 9.86   | 480,670   | 9.86   |
| HG STRATEGY LONG SHORT FIM     | -                           | - | 342,260   | 7.02   | 342,260   | 7.02   |
| SKOPOS MASTER FIA              | -                           | - | 320,900   | 6.58   | 320,900   | 6.58   |
| HEDGING GR VER EQ MASTER FIA   | -                           | - | 285,364   | 5.85   | 285,364   | 5.85   |
| HG DIVIDENDOS FIA              | -                           | - | 253,000   | 5.19   | 253,000   | 5.19   |
| LG EMERG MARK DIV FUND PLC     | -                           | - | 236,267   | 4.85   | 236,267   | 4.85   |
| HEDGING GRIFFO SKOPOS FUND LLC | -                           | - | 188,899   | 3.88   | 188,899   | 3.88   |
| HG STRATEGY II FIA             | -                           | - | 138,630   | 2.84   | 138,630   | 2.84   |
| HG STRATEGY L S MIX MASTER FIM | -                           | - | 97,595    | 2.00   | 97,595    | 2.00   |
| SKOPOS HG GREY CITY FUND LLC   | -                           | - | 91,900    | 1.89   | 91,900    | 1.89   |
| HG TOP 30 FIF                  | -                           | - | 65,100    | 1.34   | 65,100    | 1.34   |
| STRATEGY HG LONG SH FUND LLC   | -                           | - | 59,300    | 1.22   | 59,300    | 1.22   |
| HG GLOBAL MACRO MASTER FUND LP | -                           | - | 58,700    | 1.20   | 58,700    | 1.20   |
| HEDGING G T FDO INV FINANCEIRO | -                           | - | 38,000    | 0.78   | 38,000    | 0.78   |
| HG AQUILA FI MULT LONGO PRAZO  | -                           | - | 32,387    | 0.68   | 32,387    | 0.68   |
| SKOPOS HG BRK FUND LLC         | -                           | - | 19,099    | 0.39   | 19,099    | 0.39   |
| CLARITAS P L S FI MULTIMERCADO | -                           | - | 26,092    | 0.54   | 26,092    | 0.54   |
| HG REMO MASTER FIM             | -                           | - | 16,800    | 0.33   | 16,800    | 0.33   |
| STRATEGY HG FUND LLC           | -                           | - | 14,600    | 0.30   | 14,600    | 0.30   |
| HEDGING GR CART ADMIN REAL FIF | -                           | - | 14,488    | 0.30   | 14,488    | 0.30   |
| HG QUETZAL FUNDO INV EM AÇÕES  | -                           | - | 13,900    | 0.29   | 13,900    | 0.29   |
| HG STRATEGY LS MASTER FIM      | -                           | - | 12,800    | 0.26   | 12,800    | 0.26   |
| HG DL ACOES FIA                | -                           | - | 12,200    | 0.25   | 12,200    | 0.25   |
| HEDGING G S FUN INV FINANCEIRO | -                           | - | 10,000    | 0.21   | 10,000    | 0.21   |
| HG PROVENCE EQUITY FITVM       | -                           | - | 9,800     | 0.20   | 9,800     | 0.20   |
| HG JOREROS FIA                 | -                           | - | 9,300     | 0.19   | 9,300     | 0.19   |
| CLUBE DE INVESTIMENTO HG REAL  | -                           | - | 5,700     | 0.12   | 5,700     | 0.12   |
| HG LULYPATY FIA                | -                           | - | 3,500     | 0.07   | 3,500     | 0.07   |
| HG BIZ FIA                     | -                           | - | 3,300     | 0.07   | 3,300     | 0.07   |
| HG MGC FIA                     | -                           | - | 2,606     | 0.05   | 2,606     | 0.05   |
| FI S BAN MULT 49 REAL ASSETS   | -                           | - | 2,200     | 0.05   | 2,200     | 0.05   |
| HG CAPRI FIA                   | -                           | - | 301       | 0.01   | 301       | 0.01   |
| CLARITAS LONG SH FIM LON PRAZO | -                           | - | 300       | 0.01   | 300       | 0.01   |
| CLARITAS E L S FI MULTIMERCADO | -                           | - | 46        | -      | 46        | -      |
| HENRYK ZYLBERMAN ENG COM IND S | -                           | - | 4,873,849 | 100.00 | 4,873,849 | 100.00 |

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**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**16.01 - Other Information Considered Relevant by the Company**

|  | 9.30.2006                   |               |                        |               |                        |               |
|--|-----------------------------|---------------|------------------------|---------------|------------------------|---------------|
|  | Number of Shares - In Units |               |                        |               |                        |               |
|  | Common                      | %             | Preferred              | %             | Total                  | %             |
| ISA Capital do Brasil S.A.                           |                             |               |                        |               |                        |               |
| Interconexión Eléctrica S.A. ESP                     | 506,200,997                 | 100.00        | -                      | -             | 506,200,997            | 100.00        |
| Board of Directors                                   | 3                           | -             | -                      | -             | 3                      | -             |
|  | <u>506,201,000</u>          | <u>100.00</u> | <u>-</u>               | <u>-</u>      | <u>506,201,000</u>     | <u>100.00</u> |
| Centrais Elétricas Brasileiras S.A. - ELETROBRÁS     |                             |               |                        |               |                        |               |
| Federal Government                                   | 244,328,120,835             | 53.99         | 17,595,501,100         | 15.68         | 261,923,621,935        | 46.38         |
| BNDES Part S.A. - BNDESPAR                           | 66,878,975,753              | 14.78         | -                      | -             | 66,878,975,753         | 11.84         |
| FND - National Development Fund                      | 22,810,794,898              | 5.04          | -                      | -             | 22,810,794,898         | 4.04          |
| FGP - Guarantee Fund for Public-Private Partnerships | 20,000,000,000              | 4.42          | -                      | -             | 20,000,000,000         | 3.54          |
| Other  | 98,493,872,064              | 21.77         | 94,641,986,275         | 84.32         | 193,135,858,339        | 34.20         |
|  | <u>452,511,763,550</u>      | <u>100.00</u> | <u>112,237,487,375</u> | <u>100.00</u> | <u>564,749,250,925</u> | <u>100.00</u> |
| BNDES Part S.A. - BNDESPAR                           |                             |               |                        |               |                        |               |
| BNDES  | 1                           | 100.00        | -                      | -             | 1                      | 100.00        |
| BNDES  |                             |               |                        |               |                        |               |
| Federal Government                                   | 6,273,711,452               | 100.00        | -                      | -             | 6,273,711,452          | 100.00        |

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
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| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**17.01 - Report on the Special Review - Without exceptions**

**Report of Independent Accountants  
on Limited Reviews**

To the Board of Directors and Shareholders  
Companhia de Transmissão de  
Energia Elétrica Paulista

- 1 We have carried out limited reviews of the accounting information included in the Quarterly Information (ITR) of CTEEP - Companhia de Transmissão de Energia Elétrica Paulista for the quarters ended September 30 and June 30, 2007. This information is the responsibility of the Company's management.
- 2 Our reviews were carried out in accordance with specific standards established by the Institute of Independent Auditors of Brazil (IBRACON), in conjunction with the Federal Accounting Council (CFC), and mainly comprised: (a) inquiries of and discussions with management responsible for the accounting, financial and operating areas of the Company with regard to the main criteria adopted for the preparation of the quarterly information and (b) a review of the significant information and of the subsequent events which have, or could have, significant effects on the Company's financial position and operations.
- 3 Based on our limited reviews, we are not aware of any material modifications that should be made to the quarterly information referred to above in order that such information be stated in accordance with the accounting practices adopted in Brazil applicable to the preparation of quarterly information, consistent with the Brazilian Securities Commission (CVM) regulations.
- 4 The statement of cash flows for the nine-month period ended September 30, 2007, contained in Note 27 to the quarterly information, is presented for purposes of additional analysis and is not a required part of the basic quarterly information. This information has been subjected to the auditing procedures described in paragraph 2 and is fairly presented in all material respects in relation to the quarterly information taken as a whole.

(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE  
BRAZILIAN SECURITIES COMMISSION (CVM)  
QUARTERLY INFORMATION (ITR)  
COMMERCIAL, INDUSTRIAL AND OTHER COMPANIES**

Unaudited

Corporate Legislation  
September 30, 2007

| 01 - IDENTIFICATION |  |   |
|---------------------|--|---|
| 1 - CVM CODE        | 2 - COMPANY NAME                             | 3 - National Corporate Taxpayers' Registry (CNPJ) |
| 01837-6             | CTEEP - CIA. TRANSM. ENERGIA ELÉTR. PAULISTA | 02.998.611/0001-04                                |

**17.01 - Report on the Special Review - Without exceptions**

- 5 As described in Note 24 to the quarterly information, pursuant to the decision of the 49<sup>th</sup> Labor Court of São Paulo, as from September 2005, Fundação CESP started to process the payroll of the participants in the supplementary pension plan regulated by Law No. 4819/58, through funds transferred by the Company, as carried out up to December 2003. In January 2006, the Attorneys' General Office of the State of São Paulo understood that the responsibility of the State Government is restricted to the limits set forth by the State Constitution in respect of the payment of pension benefits. Since then, the State Government started to disallow a portion of the resources transferred to the Company. Management of the Company, supported by its legal advisors, understands that the payment of the benefits related to the supplementary pension plan is the full responsibility of the State Government. Accordingly, the Company does not record any obligations relating to this plan in its quarterly information.
- 6 The Quarterly Information mentioned in paragraph one also includes comparative accounting information referring to the statement of income for the quarter and nine-month period ended September 30, 2006. The limited reviews of the Quarterly Information and the statement of cash flows for this quarter and nine-month period were conducted by other independent accountants, who issued a report thereon dated October 16, 2006, containing a qualification related to the Company's revenues arising from agreements entered into prior to October 31, 2003, which should have been taxed which should have been taxed at a total rate of 3.65% for Social Integration Program (PIS) and Social Contribution on Revenues (COFINS) instead of the 9.25% rate used up to May 31, 2006. Accordingly, the regulatory asset recorded by the Company should be reduced. On the other hand, the Company will have the right to offset the PIS and COFINS overpaid as from February 2004. The report also contained a matter of emphasis paragraph relating to the decision of the 49<sup>th</sup> Labor Court of São Paulo on the processing of the payroll of the supplementary pension plan regulated by Law No. 4819/58.

São Paulo, November 8, 2007

PricewaterhouseCoopers  
Auditores Independentes  
CRC 2SP000160/O-5

Sérgio Eduardo Zamora  
Contador CRC 1SP168728/O-4



(A free translation of the original in Portuguese)  
**FEDERAL GOVERNMENT SERVICE**  
**BRAZILIAN SECURITIES COMMISSION (CVM)**  
**QUARTERLY INFORMATION (ITR)**  
**COMMERCIAL, INDUSTRIAL AND OTHER**  
**COMPANIES**

Unaudited

Corporate Legislation  
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### Contents

| GROUP | TABLE | DESCRIPTION   | PAGE |
|-------|-------|---|------|
| 01    | 01    | Identification  | 1    |
| 01    | 02    | Head Office   | 1    |
| 01    | 03    | Investor Relations Officer (Company Mail Address)             | 1    |
| 01    | 04    | General Information/Independent Accountant                    | 1    |
| 01    | 05    | Capital Composition   | 2    |
| 01    | 06    | Characteristics of the Company                                | 2    |
| 01    | 07    | Companies Excluded from the Consolidated Financial Statements | 2    |
| 01    | 08    | Dividends Approved and/or paid during and after the quarter   | 2    |
| 01    | 09    | Capital Subscribed and Alterations in the Current Year        | 3    |
| 01    | 10    | Investor Relations Officer                                    | 3    |
| 02    | 01    | Balance Sheet - Assets  | 4    |
| 02    | 02    | Balance Sheet - Liabilities and Shareholders' Equity          | 5    |
| 03    | 01    | Statement of Income   | 6    |
| 04    | 01    | Notes to the Quarterly Information                            | 9    |
| 05    | 01    | Comments on Company Performance During the Quarter            | 37   |
| 16    | 01    | Other Information Considered Relevant by the Company          | 38   |
| 17    | 01    | Report on the Special Review - Without Exceptions             | 44   |

*END*